OFFICIAL STATEMENT
Dated April 13, 2000

NEW ISSUE – BOOK-ENTRY-ONLY

Ratings: Fitch: "AAA"
Moody's: "Aaa"
S&P: "AAA"
(See "BOND INSURANCE" and "RATINGS" herein.)

In the opinion of Co-Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas and Wickliff & Hall, P.C., San Antonio, Texas, assuming continuing compliance by the City of San Antonio after the date of issuance of the Bonds (defined below) with certain covenants in the ordinance described herein and subject to the matters discussed herein under "TAX MATTERS", interest on the Bonds (i) will be excludable from gross income for federal income tax purposes and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein under "TAX MATTERS", corporations.

$24,845,000
CITY OF SAN ANTONIO, TEXAS
PARKING SYSTEM REVENUE BONDS, SERIES 2000

Dated: May 1, 2000 **Due: August 15, as shown herein**

The Bonds are being issued by the City of San Antonio, Texas (the "City") pursuant to the laws of the State of Texas, including Subchapter D of Chapter 1506, Chapter 1201, and Chapter 1371, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City (the "Council") to construct two new parking garages, renovate existing facilities, provide signage, and pay costs of issuance of the Bonds. See "THE BONDS - Authority for Issuance of the Bonds" herein.

Interest on the Bonds will accrue from the dated date as shown above and will be payable February 15 and August 15 of each year, commencing August 15, 2000 and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued as fully registered obligations in book-entry-only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. So long as the Securities Depository is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Chase Bank of Texas, N.A. as the initial Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are payable from and secured by a first lien on and a pledge of the gross revenues derived from the ownership and operation of the City's Parking System (the "Gross Revenues") and certain funds created by the Bond Ordinance described herein (the "Pledged Funds"). See "SECURITY FOR THE BONDS" herein.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The City is obligated to pay the Bonds and the interest thereon solely from the Gross Revenues and the Pledged Funds and neither the faith and credit nor any physical properties of the City, including the Parking System, are pledged to the payment of the principal of or interest on the Bonds. **The issuance of the Bonds does not directly or indirectly or contingently obligate the City to levy any form of taxation whatever therefor or to make any appropriation for their payment except from the Gross Revenues and the Pledged Funds. Neither the full faith and credit nor the taxing power of the City nor the State of Texas or any political subdivision thereof is pledged to payment of the Bonds.**

SEE INSIDE COVER PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND REDEMPTION PROVISIONS FOR THE BONDS.

The Bonds are offered for delivery, when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, and Wickliff & Hall, P.C., San Antonio, Texas, as Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Akin, Gump, Strauss, Hauer & Feld, L.L.P., San Antonio, Texas. See "LEGAL MATTERS" herein. It is expected that the Bonds will be available for delivery through the services of DTC on or about May 9, 2000.

SALOMON SMITH BARNEY
M.E. ALLISON & CO., INC.

A.G. EDWARDS & SONS, INC.
SIEBERT BRANDFORD SHANK & CO., LLC

MATURITY SCHEDULE, INTEREST RATES, AND YIELDS
(Due August 15)

$11,645,000 Serial Bonds

Stated Maturity	Principal Amount	Rate %	Yield %	Stated Maturity	Principal Amount	Rate %	Yield %
2004	$ 400,000	5.00%	4.85%	2011	$ 575,000	5.15%	5.20%
2005	450,000	5.00	4.90	2012	1,110,000	5.20	5.30
2006	600,000	5.00	4.95	2013	1,170,000	5.25	5.35
2007	620,000	5.00	5.00	***	***	***	***
2008	660,000	5.05	5.05	2018	1,535,000	5.60	5.65
2009	850,000	5.10	5.10	2019	1,625,000	5.65	5.70
2010	350,000	5.15	5.15	2020	1,700,000	5.70	5.73

$5,345,000 5.50% Term Bonds due August 15, 2017 @ 5.60%

$7,855,000 5.75% Term Bonds due August 15, 2024 @ 5.80%

(Accrued interest to be added.)

REDEMPTION OF THE BONDS: Optional. The Bonds having stated maturities on and after August 15, 2010 are subject to optional redemption in whole or in any part thereof, in the principal amounts of $5,000 or any integral multiple thereof on February 15, 2010 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. (See "THE BONDS – Redemption Provisions" herein).

Mandatory. The Bonds maturing August 15, 2017 (the "2017 Term Bonds") and the Bonds maturing August 15, 2024 (the "2024 Term Bonds") (collectively, the "Term Bonds") are subject to mandatory redemption as follows:

Term Bonds Maturing August 15, 2017

Redemption Date	Redemption Amount
August 15, 2014	$1,230,000
August 15, 2015	$1,300,000
August 15, 2016	$1,370,000
August 15, 2017 (Final Maturity)	$1,445,000

Term Bonds Maturing August 15, 2024

Redemption Date	Redemption Amount
August 15, 2021	$1,800,000
August 15, 2022	$1,900,000
August 15, 2023	$2,020,000
August 15, 2024 (Final Maturity)	$2,135,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced in integral multiples of $5,000, at the option of the City, by the principal amount of any such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

CITY OF SAN ANTONIO, TEXAS

CITY ADMINISTRATION

CITY COUNCIL:

Name	Approximate Time on Council	Term Expires	Occupation
Howard W. Peak, Mayor	7 Years	May, 2001	Instructor, Trinity University
Bobby Pérez, District 1	1 Year	May, 2001	Attorney
Mario M. Salas, District 2	3 Years	May, 2001	Educator
Debra Guerrero, District 3	3 Years	May, 2001	Self-Employed Consultant
Raul Prado, District 4	3 Years	May, 2001	Educator
David A. Garcia, District 5	Appointed March 23, 2000	May, 2001	Attorney
Enrique M. Barrera, District 6	Appointed January 13, 2000	May, 2001	Retired
Ed Garza, District 7	3 Years	May, 2001	Land Development Planning & Finance
Bonnie Conner, District 8	1 Year	May, 2001	Real Estate Management
Tim Bannwolf, District 9	3 Years	May, 2001	Attorney
David Carpenter, District 10	1 Year	May, 2001	Small Business Owner

CITY OFFICIALS:

Name	Position	Approximate Tenure With City of San Antonio	Approximate Length of Time In Current Position
Alexander E. Briseño	City Manager	23 Years	10 Years
J. Rolando Bono	Assistant City Manager	22 Years	19 Years
Melissa Byrne Vossmer	Assistant City Manager	2 Years	2 Years
Travis M. Bishop	Assistant City Manager	22 Years	Effective February 1, 2000
Christopher J. Brady	Assistant City Manager	4 Years	Effective February 1, 2000
Roland A. Lozano	Executive Director of Facilities and Visitor Services	20 Years	3 Years
Terry M. Brechtel	Executive Director of Administrative and Financial Services	9 Years	Effective February 1, 2000
Frank J. Garza	City Attorney	4 Years	2 Years
Norma S. Rodriguez	City Clerk	30 Years	20 Years
Octavio Peña, CPA	Director of Finance	11 Years	2 Years
Louis A. Lendman	Acting Director of Budget and Performance Assessment	11 Years	Effective February 1, 2000
John L. German	Director of Public Works	7 Years	7 Years
Ben A. Gorzell, Jr., CPA	Assistant Director of Finance	9 Years	1 Year
Milo D. Nitschke	Assistant Director of Finance	5 Years	1 Year
Sandra Stinson Stout	Assistant Director of Public Works	1 Year	1 Year

CONSULTANTS AND ADVISORS:

Co-Bond Counsel — McCall, Parkhurst & Horton L.L.P., San Antonio, Texas
Wickliff & Hall, P.C., San Antonio, Texas

Co-Certified Public Accountants — KPMG Peat Marwick LLP; Garza/Gonzalez and Associates; Robert J. Williams, CPA
San Antonio, Texas

Financial Advisor — Coastal Securities
San Antonio, Texas

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth hereinafter the date of this Official Statement.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Neither the City, the Financial Advisor, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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PRELIMINARY OFFICIAL STATEMENT
Relating to the

$24,845,000
CITY OF SAN ANTONIO, TEXAS
PARKING SYSTEM REVENUE BONDS,
SERIES 2000

INTRODUCTION

This Official Statement of the City of San Antonio, Texas (the "City" or "Issuer") is provided to furnish information in connection with the sale of the City's Parking System Revenue Bonds, Series 2000 (the "Bonds"), in the aggregate principal amount of $24,845,000. This Official Statement describes the Bonds, the Bond Ordinance (defined herein), and certain other information about the City and its Parking System (defined herein). All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City at the Office of the Director of Finance, City Hall Annex, 506 Dolorosa, San Antonio, Texas 78204 and, during the offering period, from the City's Financial Advisor, Coastal Securities, 909 Northeast Loop 410, Suite 300, San Antonio, Texas, 78209, upon payment of reasonable copying, mailing, and handling charges.

The City constructed its first, 465 space parking garage known as the Marina Garage in 1967 at cost of $1,128,071. In January 1976, the City Council of the City (the "Council") authorized the initial planning of a parking structure to be operated as a municipal enterprise. The 1979-80 Budget created the "Parking Facilities Fund" for the purpose of managing and operating the City's parking facilities. In January 1981, the City completed the River Bend Garage at a cost of approximately $6.4 million funded with the proceeds of "certificates of obligation." (Certificates of obligation are debt instruments under Texas law that permit combined ad valorem tax and revenue pledge.) In December 1982, the City acquired land at a cost of $2,500,000 which was leased to a private entity to construct and manage the Mid City Garage with approximately 910 parking spaces; in 1992, the City acquired the garage and made some improvements for an approximate cost of $1,700,000. In January 1987, the City added HemisFair Garage at a cost of approximately $7.1 million funded with certificates of obligation. The Library Garage improvements were completed in May, 1995 at a cost of $1,600,000 funded with certificates of obligation.

The first surface parking lot was put into service in 1965 with 173 spaces. In 1973, a 35 space parking lot was put into service, and since then, the City has acquired various surface parking lots which currently numbers 1,257 parking spaces. Other parking facilities include 3,383 spaces leased from the State of Texas and the United States Government and 1,902 city-owned and operated on-street parking meters.

The "Parking System" consists of the facilities described below:

Facilities	Locations	Spaces
Garages	5	3,347
Surface Lots:		
Non-Metered	8	1,035
Metered	3	222
On-Street Meters	N/A	1,902
Leased Lots	9	3,383
Total	25	9,889

All of the facilities of the Parking System were originally financed from cash on hand or certificates of obligation. Certain of the certificates of obligation have been refunded by general obligation bonds payable solely from ad valorem taxes. However, the City has used net parking fund revenues to pay debt service of existing debt issued to provide parking facilities. As of September 30, 1999, there was $17,190,000 of such debt outstanding. See "DEBT SERVICE SCHEDULE".

The City will now create the Parking System as a separate enterprise fund and it is anticipated that future debt for parking facilities will be payable solely from the revenues. The City has determined that increased parking demand in the Central Business District calls for the construction of additional garage; there will be an increased ability to use parking as an economic development mechanism; the Parking System can address growing parking needs within the Central Business District; and the present parking revenues, combined with the addition of new spaces, will support development of additional parking facilities in the Central Business District while minimizing the risk to the City. The creation of the Parking System and use of revenue financing will decrease the City's reliance on certificates of obligation for such purposes thereby freeing up the ad valorem supported debt capacity for non-revenue producing projects.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement will be filed with the Municipal Securities Rulemaking Board 1640 King Street, Suite 300, Alexandria, Virginia 22314.

PURPOSES AND PLAN OF FINANCING

Purposes of the Bonds

The Bonds are being issued to provide funds: (1) to finance the construction of all or a portion of two new parking garages (a) a 707 space garage at the intersection of St. Mary's and Travis Streets (the "St. Mary's Street Garage") and (b) a 800 space garage at the intersection of Market and Bowie Streets (the "Convention Center Garage"); (2) to finance the costs of renovation of certain existing facilities; (3) to provide signage; and (4) to pay the costs of issuance of the Bonds.

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Sources and Uses of Funds

The following is a summary of the application of the proceeds of the Bonds and the sources and uses of funds:

SOURCES OF FUNDS:	
Bond Proceeds:	
Par Amount	$24,845,000.00
Accrued Interest	30,383.83
Net Original Issue Discount	- 153,360.55
	$24,722,023.28
Other Sources of Funds:	
Contribution From the City	$ 2,972,129.00
Parking System Contribution	3,833,757.00
	$ 6,805,886.00
TOTAL SOURCES OF FUNDS	$31,527,909.28
USES OF FUNDS:	
Project Fund Deposits:	
Construction Funds	$15,741,884.00
Relocation Expenses	3,114,000.00
Land	2,800,000.00
Environmental Costs	1,060,000.00
Facilities Renovation	810,000.00
Signage	1,190,000.00
	$24,715,884.00
Other Fund Deposits:	
Capitalized Interest	$ 1,200,000.00
Repair & Replacement Fund	1,500,000.00
Operations & Maintenance Fund	1,660,105.00
Other Parking Related Obligations	1,112,839.00
Facilities Fund	644,545.00
Accrued Interest	30,383.83
	$ 6,147,872.83
Costs of Issuance	$ 664,152.45
TOTAL USES OF FUNDS:	$31,527,909.28

THE BONDS

General Description

Interest on the Bonds accrues from the dated date, May 1, 2000, and is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2000. The principal of and interest on the Bonds are payable in the manner described herein under "THE BONDS – Book-Entry-Only System". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by Chase Bank of Texas, N.A. as the initial Paying Agent/Registrar, as of the last day of the month next preceding such interest payment date, by check, mailed first-class postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, the principal of the Bonds will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, a Sunday, a legal holiday, or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close or the United States Post Office is not open for business, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to the Home Rule Charter of the City; the general laws of the State of Texas, particularly Subchapter D of Chapter 1506, Chapter 1201, and Chapter 1371, Texas Government Code, as amended; and the Bond Ordinance adopted by the City Council on April 13, 2000.

Security for the Bonds

General. The Bonds are limited obligations of the City, payable solely from and secured by a pledge of (i) the Gross Revenues and (ii) all money held in the Revenue Fund, the Debt Service Fund, and the Construction Fund established under the Bond Ordinance (collectively, the "Pledged Funds"). Such pledge securing the Bonds of Pledged Funds (other than funds on deposit in the Construction Fund established under the Bond Ordinance which are pledged only to secure the Bonds) will at all times and in all respects be on a parity with the pledges to secure any Parity Obligations (defined below). Upon issuance of the Bonds, there will be no other outstanding obligations of the City with any prior lien on the Pledged Funds.

"Gross Revenues" is defined in the Bond Ordinance as all of the revenues and income of every nature derived from the operation and ownership of the Parking System *(but exclusive of fines imposed and received by the City for parking violations and, at the City's option, funds received from the sale or disposition of any property of the Parking System).* Amounts on deposit in a Pledged Fund which is pledged only to a particular series of Parity Obligations and not to all Parity Obligations, and the proceeds of the investment thereof, secure the Parity Obligations for which such Pledged Fund was created, and do not constitute Gross Revenues for the purpose of securing other Parity Obligations.

"Operation and Maintenance Expenses" is defined in the Bond Ordinance as all reasonable and necessary expenses required for the efficient operation and maintenance of the Parking System, including, without limitation, lease payments, insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, paying agent/registrar charges in connection with Parity Obligations, administrative expenses, salaries, labor, fees, materials, contractual and professional services, keeping the Parking System in good condition and working order, making all needed repairs, providing for all needed periodic and non-recurring items of maintenance, and providing for the enforcement of parking laws and ordinances.

"Parking System" is defined in the Bond Ordinance as all property, facilities, and equipment of any kind now and hereafter owned, leased, or otherwise acquired by the City for the primary purpose of providing off-street parking and on-street parking of vehicles, together with future improvements, extensions, enlargements, and additions thereto and replacements thereof (but excluding any parking facilities used in connection with the City's airport system or adjacent to the Alamodome). Notwithstanding the foregoing, the term "Parking System" does not include property, facilities, and equipment of any kind which the City Council declares not to be a part of the Parking System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds", which are defined in the Bond Ordinance as being special revenue obligations of the City which are not payable from Gross Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources, or payments not pledged to the payment of the Parity Obligations, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

The City is not obligated to pay the Bonds or the interest thereon except from the Gross Revenues and Pledged Funds and neither the faith and credit nor any physical properties of the City, including the Parking System, are pledged to the payment of the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate the City to levy any form of taxation or to make any appropriation for their payment except from the Gross Revenues and Pledged Funds. Neither the full faith and credit nor the taxing power of the City, the State of Texas, nor any other political subdivision thereof is pledged to the payment of the Bonds.

Rate Covenant. The City has covenanted in the Bond Ordinance that in each Fiscal Year, the City will establish, charge, and collect Gross Revenues sufficient to produce Net Earnings in each Fiscal Year at least equal to the Annual Debt Service Requirements for Parity Obligations coming due during such Fiscal Year until the Convention Center Garage and the St. Mary's Street Garage have been in operation for one complete Fiscal Year, and thereafter at least equal to 125% of the average Annual Debt Service Requirements for the outstanding Parity Obligations.

If the City determines, for any reason whatsoever, that there are not anticipated to be Gross Revenues sufficient to meet the rate covenant, the City will fix, levy, charge, and collect such rentals, rates, fees, or other charges of the Parking System, effective at such times and in such amounts, without any limitation whatsoever, as will be at least sufficient to provide the money for making when due all such financial obligations of the City.

Any adjustments in the rate or manner of charging for any rentals, rates, fees, or other charges included in Gross Revenues will be based upon a certificate and recommendation of the Designated Financial Officer, delivered to the City Council, as to the rates and anticipated collection of the Gross Revenues by the City (after taking into account the proposed rate adjustment) which will be anticipated to result in Gross Revenues being sufficient to meet all financial obligations of the City payable therefrom.

If, in any Fiscal Year, the Gross Revenues are insufficient to meet the rate covenant described above, within 30 days of the receipt of the audited financial statements of the City for such Fiscal Year, the City must engage a "Qualified Independent Consultant" (defined as a person, firm, or corporation, independent of the City (*i.e.*, not an employee or related entity of the City), having a widely known and favorable reputation for special skill, knowledge, and experience in methods of development, operation, and management of vehicular parking systems of size and character constituting the Parking System) to review and analyze the financial status and operations of the Parking System, and to submit, within 60 days thereafter, a written report to the City recommending revisions of the rates, fees, and charges of the Parking System and the methods of operation of the Parking System that will result in producing the amount so required in the then following Fiscal Year. Promptly upon its receipt of such recommendations, the City must revise the rates, fees, and charges of the Parking System, or alter the methods of operation of the Parking System, and take such other action as will conform with such recommendations.

Additional Parity Obligations. Additional Parity Obligations may be issued under and secured by the Bond Ordinance, on a parity as to pledge of the Gross Revenues and Pledged Funds with the outstanding Parity Obligations, from time to time, for any lawful purpose. The issuance of additional Parity Obligations is subject to conditions stated in the Bond Ordinance including the following:

(1) <u>No Default/Compliance with Covenants</u>. The Chief Financial Officer or other official designated by the City Manager (the "Designated Financial Officer") executes a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation, or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable in whole or in part from, and secured by a lien on and pledge of, the Gross Revenues that would materially affect the security or payment of the Parity Obligations and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such Parity Obligations then being issued will cure any such deficiency.

(2) <u>Historical Net Earnings Test</u>. The Designated Financial Officer also executes a certificate to the effect that, according to the books and records of the City, the "Net Earnings" (defined as Gross Revenues less Operation and Maintenance Expenses, but not depreciation charges or expenditures which, under generally accepted accounting principles, should be charged to capital expenditures or unrealized investment gains or losses), for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted are equal to at least 1.25 times the average annual debt service requirements for all Parity Obligations then Outstanding.

(3) <u>Pro Forma Net Earnings Test</u>. The Designated Financial Officer executes a certificate to the effect that, according to the books and records of the City, the Net Earnings for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted, *plus* any Net Earnings to be realized in the first 12 months of operation of

such new parking facility being financed with such additional Parity Obligations (as forecast by a Qualified Independent Consultant), are projected to be equal to at least 1.25 times the average Annual Debt Service Requirements for all Parity Obligations then Outstanding and the additional Parity Obligations proposed to be issued. In making the determination of the Net Earnings, the Designated Financial Officer may take into consideration (i) the forecast provided by a Qualified Independent Consultant described in the preceding sentence and (ii) a change in the rates and charges of the Parking System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings for the period of time covered by this certification based on such forecast of additional Net Earnings provided by such additional parking facility and such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate.

If the conditions to issuance of additional Parity Obligations are met, Parity Obligations may be issued from time to time (pursuant to any law then available) for the purpose of refunding Outstanding Parity Obligations and Subordinate Lien Obligations upon such terms and conditions as the City Council may deem to be in the best interest of the City and, if less than all Outstanding Parity Obligations are refunded or if any Subordinate Lien Obligations are refunded, the proposed refunding Parity Obligations will be considered as additional Parity Obligations but the certificates required above will give effect to the issuance of the proposed refunding Parity Obligations (and will not give effect to any Parity Obligations being refunded following their cancellation or provision being made for their payment).

Parity Obligations may be issued for the purpose of refunding Other Parking-Related Obligations upon such terms and conditions as the governing body of the City may deem in the best interest of the City.

The principal of all additional Parity Obligations must be scheduled to be paid or mature only on August 15 of a given year, and interest must be scheduled to be paid or mature only on February 15 and August 15 of a given year.

Subordinate Lien Obligations. The City may also issue Subordinate Lien Obligations under the Bond Ordinance which will be subordinate as to a lien on Gross Revenues to the Parity Obligations outstanding.

Other Parking-Related Obligations. The City may issue obligations which are not secured in whole or in part by a pledge of the Gross Revenues, all or a portion of the proceeds of which are used for facilities in the Parking System (being general obligation bonds (payable from ad valorem taxes) and certificates of obligation (secured by ad valorem taxes and revenues from enterprises other than the Parking System) the proceeds of which were used for Parking System facilities) (such general obligation bonds and certificates of obligation, the "Other Parking-Related Obligations"). The City may pay the pro rata portion (as determined by the Designated Financial Officer) of the Other Parking-Related Obligations from revenues of the Parking System as described below.

Flow of Funds. The Bond Ordinance provides that the funds discussed below are to be established and maintained for so long as sums remain due and payable with respect to Parity Obligations outstanding (the brief descriptions of such funds being for convenience of reference only, more complete descriptions being contained in the Bond Ordinance). The funds described below are maintained at a depository appointed by the City and deposits are to be made in the order of priority listed.

Revenue Fund. All Gross Revenues are to be deposited in the Revenue Fund. Money in the Revenue Fund is to be withdrawn to pay principal of and interest on the Parity Obligations by making the required payments to the Debt Service Fund, to make required deposits to the Operation and Maintenance Fund for payment of all Operation and Maintenance Expenses and maintain the Required Operation and Maintenance Fund Balance (described below), to the payment of Subordinate Lien Obligations, at the option of the City, to the Other Parking-Related Obligations Fund for payment of the Other Parking-Related Obligations, to provide the payments required to the Repair and Replacement Fund including maintenance of the Required Repair and Replacement Fund Balance, and to the Facilities Fund. Allocations from the Revenue Fund are to be made on or before the 25th day of each month in the order of priority set forth below.

Debt Service Fund. The Debt Service Fund is intended to provide for the ratable payment of the principal of, premium, if any, and interest on the Parity Obligations as the same becomes due.

Operation and Maintenance Fund. The Operation and Maintenance Fund is intended to provide for the payment of Operation and Maintenance Expenses. The City will deposit \$1,660,105 into the Operation and Maintenance Fund at Closing (of which \$1,500,000 will come from available funds of the City and \$160,105 will come from proceeds of the Bonds) which amount will be adjusted each Fiscal Year to equal 25% of the budgeted Operating and Maintenance Expenses (the "Required Operation and Maintenance Fund Balance"), and the City covenants to maintain the Required Operation and Maintenance Fund Balance. Withdrawals from this Fund may be made by or on order of the City in accordance with the Annual Budget of the City for the Parking System. If the Required Operation and Maintenance Fund Balance is not in the Operation and Maintenance Fund, the City will, within 90 days, replenish the Operation and Maintenance Fund from any funds of the City available for such purpose (including inter-fund transfers) until the amount therein is at least equal to the Required Operation and Maintenance Fund Balance if the Required Operation and Maintenance Fund Balance has not theretofore been restored to the required amount.

On or before the 25th day of the month following delivery of the Bonds, and on or before the 25th day of each month thereafter, there will be deposited into the Operation and Maintenance Fund an amount equal to approximately 1/12 of the annual budgeted Operation and Maintenance Expenses for such Fiscal Year (or such greater amount as the Designated Financial Officer deems necessary to meet expected Operation and Maintenance Expenses during the ensuing month), together with an additional amount as may be required to maintain the Required Operation and Maintenance Fund Balance; provided, however, that any transfers to the Operation and Maintenance Fund may not occur prior to making the full monthly deposits required in the Debt Service Fund.

Subordinate Lien Obligations. Amounts will be deposited to the funds and accounts established by ordinances of the City providing for the payment and security of Subordinate Lien Obligations hereafter issued, if any, with such deposits to be made in approximately equal monthly deposits on the dates and in the amounts as provided in each ordinance of the City authorizing the issuance of such Subordinate Lien Obligations; provided, however, that any transfers to such funds and accounts may not occur prior to making the full monthly deposits required in the Operation and Maintenance Fund.

Other Parking-Related Obligations Fund. Funds on deposit in the Other Parking-Related Obligations Fund will be used for the purpose of paying the debt service on Other Parking-Related Obligations on the dates and in the amounts as provided in the respective ordinances of the City authorizing the issuance of such Other Parking-Related Obligations. After the amounts required for the Debt Service Fund and the Operation and Maintenance Fund have been deposited therein, the Designated Financial Officer is authorized to transfer funds on deposit therein to the appropriate funds and accounts of the City which have been established by ordinances of the City to provide for the payment and security of such Other Parking-Related Obligations in the amounts and on the dates deemed necessary and appropriate to timely pay debt service on the Other Parking-Related Obligations; provided, however, that any transfers to the Other Parking-Related Obligations Fund may not occur prior to making the full monthly deposits required for Subordinate Lien Obligations.

Upon delivery of the Bonds, the City will deposit \$1,112,839 into the Other Parking-Related Obligations Fund from available funds of the City. While any Other Parking-Related Obligations are outstanding, the City may deposit, at the option of the Designated Financial Officer, into the Other Parking-Related Obligations Fund, on or before the 25th day of each month, an amount determined by the Designated Financial Officer (after taking into consideration other expenditures which the Designated Financial Officer anticipates will be required to be made from Gross Revenues either pursuant to the requirements of the Bond Ordinance or elsewhere) to pay all or a portion of the principal and interest scheduled to come due on such Other Parking-Related Obligations on the next respective payment date as provided in the respective ordinances which authorized the issuance of such Other Parking-Related Obligations.

Repair and Replacement Fund. The Repair and Replacement Fund will be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the Parking System, or for paying the costs of unexpected or extraordinary repairs or replacements of the Parking System for which Gross Revenues are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the Parking System for which Gross Revenues are not otherwise available. In addition, in the event there are insufficient funds on deposit in the Other Parking-Related Obligations Fund to fully fund the payment of principal and/or interest on any principal or interest payment date for Other Parking-Related Obligations, funds on deposit in the Repair and Replacement Fund may be transferred to the Other Parking-Related Obligations Fund to satisfy any such insufficiency; provided, however, that any transfers to the Other Parking-Related Obligations Fund may not occur prior to making the full monthly deposits required for Subordinate Lien Obligations.

Upon delivery of the Bonds, the City will deposit $1,500,000 into the Repair and Replacement Fund from available funds of the City. Annually thereafter an amount determined by the Designated Financial Officer not more than 60 days prior to each Fiscal Year equal to (i) 3.5% of the estimated value of the Parking System before depreciation as reported in the most recent annual financial statements of the City, plus (ii) to the extent applicable, 3.5% of the construction costs of any new or substantially renovated surface or structured parking facility of the Parking System (the "Required Repair and Replacement Fund Balance") will be maintained in the Repair and Replacement Fund. The Designated Financial Officer is required to annually evaluate the value of the Parking System to determine the Required Repair and Replacement Fund Balance. Should the amount in any given year on deposit in the Repair and Replacement Fund be less than the Required Repair and Replacement Fund Balance, the City will make monthly deposits within 60 months from the date the deficiency in funds occurred by making monthly deposits on or before the 25th day of each month following the month such deficiency first occurred of not less than 1/60th of the amount of such deficiency.

Facilities Fund. Funds on deposit in the Facilities Fund may be used for any lawful purpose including, but not limited to, making deposits to the Debt Service Fund, the Operation and Maintenance Fund, the Other Parking-Related Obligations Fund (at the option of the Designated Financial Officer), the Repair and Replacement Fund, and any debt service fund or debt service reserve fund created and established to secure the payment of any Subordinate Lien Obligations in the event Gross Revenues on deposit in the Revenue Fund during any month are insufficient to make the transfers and deposits to such funds as required by the Bond Ordinance. Upon delivery of the Bonds, the City will deposit $644,545 into the Facilities Fund from available funds of the City.

Subject to making the full monthly deposits as required by the Bond Ordinance into the Debt Service Fund, the Operation and Maintenance Fund, and the Repair and Replacement Fund, into any debt service fund or debt service reserve fund required by any ordinance authorizing the issuance of Subordinate Lien Obligations, and into the Other Parking-Related Obligations Fund (at the option of the Designated Financial Officer), all excess Gross Revenues on deposit in the Revenue Fund will be deposited on or before the 25th day of each month into the Facilities Fund.

Preservation of Lien; Maintenance of Parking System. The City has covenanted that it will not do or suffer any act or thing whereby the pledge of the Gross Revenues and Pledged Funds might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the Parking System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

Sale, Disposition, Encumbrance, or Abandonment of Property. So long as any of the Parity Obligations remain Outstanding, the City will not sell, dispose of, encumber, or abandon the Parking System or any substantial part thereof; provided, however, that, subject to certain tax covenants, this covenant is not construed to prohibit the sale, disposition, or abandonment in accordance with prudent business practices of (i) such machinery, equipment, or other property of the Parking System (including surface parking lots) (A) which has become obsolete or otherwise unsuited to the efficient operation of the Parking System or (B) which does not materially reduce the Net Earnings of the Parking System or (ii) any other revenue generating facilities of the Parking System if (A) such facilities are replaced with other facilities which are projected by the Designated Financial Officer to produce revenues in substantially the same or greater amount as the replaced facilities after such new facilities have been in operation for a 12-month period or (B) proceeds received from the sale, disposal or abandonment of such facilities are used to pay or defease Outstanding Parity Obligations.

Redemption Provisions

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem the Bonds stated to mature on or after August 15, 2010, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 15, 2010, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Issuer will determine the maturity or maturities, and the principal amount of the Bonds within each maturity to be redeemed. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed will be selected at random and by lot by the Paying Agent/Registrar.

Mandatory Redemption. The Bonds maturing August 15, 2017 and August 15, 2024 are subject to mandatory redemption as described on page ii hereof.

Notice of Redemption. At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer must cause written notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bonds or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision must be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically will be treated as redeemed prior to their scheduled maturities, and they will not bear interest after the date fixed for redemption, and they will not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

Denominations. Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bonds to be partially redeemed may be surrendered in exchange for one or more new Bonds in authorized denominations of the same stated maturity, series, and interest rate for the unredeemed portion of the principal.

Redemption Through The Depository Trust Company. The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant (herein-after defined), or of any DTC Participant or Indirect Participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Bond Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "THE BONDS – Book-Entry-Only System".

Paying Agent/Registrar

The initial Paying Agent/Registrar is Chase Bank of Texas, N.A. In the Bond Ordinance, the Issuer covenants to provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar at all times until the Bonds are duly paid, and the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, must be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as a Paying Agent/Registrar for the Bonds. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer is required to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

Transfer, Exchange, and Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be registered, transferred, assigned, and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration, transfer, and exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, transfer, and exchange. A Bond may be assigned by the execution of an assignment form on the

Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated payment office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner, to the extent possible, within three business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer will be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount, series, and rate of interest as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Mutilated, Destroyed, Lost, or Stolen Bonds

The Issuer has agreed to replace damaged, mutilated, destroyed, lost, or stolen Bonds upon surrender of the damaged or mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and the Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Limitation on Transfer

Neither the Issuer nor the Paying Agent/Registrar will be required to transfer or exchange any Bonds (i) during the period commencing at the close of business on the record date and ending at the opening of business on the next interest payment date and (ii) with respect to the Bonds selected for redemption in whole or in part, within 45 days of the date fixed for redemption; provided, however, this limitation is not applicable to the transfer or exchange of the unredeemed balance of the Bonds called for redemption in part.

Defaults and Remedies

If the City defaults in the payment of the principal of and interest on any Bond when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Ordinance, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenant, obligations, or conditions. Such right is in addition to any other rights the registered owners of Bonds may be provided by the laws of the State of Texas. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Bond Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to collect Gross Revenues sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time-consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Bond Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Co-Bond Counsel will note that all opinions relative to the enforceability of the Bond Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Record Date for Interest Payment

The record date for the semiannual interest payable on any interest payment date is the last business day of the month next preceding such interest payment date, as specified in the Bond Ordinance. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the day next preceding the date of mailing of such notice.

Amendments

The City has reserved the right to amend the Bond Ordinance subject to the following terms and conditions, to-wit:

(a) The City may from time to time, with notice to each Credit Provider, if any, but without the consent of any Holder, except as otherwise required by paragraph (b) below, amend or supplement the Bond Ordinance in order to (i) cure any ambiguity, defect, or omission in the Bond Ordinance that does not materially adversely affect the interests of the Holders, (ii) grant additional rights or security for the benefit of the Holders, (iii) add events of default as are not inconsistent with the provisions of the Bond Ordinance and which will not materially adversely affect the interests of the Holders, (v) qualify the Bond Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (vi) in connection with any other change (other than any change described in clauses (1) through (5) of subsection (b) below) with respect to which the City receives written confirmation from each Rating Agency that such amendment would not cause such Rating Agency to withdraw or reduce its then current rating on the Parity Obligations.

(b) Except as provided in paragraph (a) above, each Credit Provider, if any, and the Holders of Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations which are the subject of a proposed amendment or are affected by a proposed amendment will have the right from time to time to approve any amendment hereto which may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the Holders in aggregate principal amount of the then Outstanding Parity Obligations affected by such amendment, nothing herein contained will permit or be construed to permit amendment of the terms and conditions of the Bond Ordinance or in any of the Parity Obligations affected by such amendment so as to (1) make any change in the maturity of any of such Parity Obligations; (2) reduce the rate of interest borne by any of such Parity Obligations; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any of such Parity Obligations; (4) modify the terms of payment of principal or of interest or redemption premium on such Outstanding Parity Obligations or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of the Parity Obligations necessary for consent to such amendment.

(c) When the City desires to make any amendment or addition to or rescission of the Bond Ordinance requiring consent of each Credit Provider, if any, and/or the Holders of the Parity Obligations, the City must cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) each Credit Provider, and (ii) the Holders (if the Holders of all Parity Obligations or at least a majority in aggregate principal amount of the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City receives an instrument or instruments in writing executed by each Credit Provider and the Holders of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Holders, which instrument or instruments refer to the proposed amendment, addition, or rescission described in such notice and specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(d) No Holder may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of the Bond Ordinance.

(e) Any consent given by the Holder of a Parity Obligation is irrevocable for a period of six months from the date of the publication of the notice, and is conclusive and binding upon all future Holders of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the Holder who gave such consent, or by a successor in title, by filing notice with the City, but such revocation is not effective if the holders of a majority in aggregate principal amount of the affected Parity Obligations then Outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purposes of establishing ownership of the Parity Obligations, the City will rely solely upon the registration of the ownership of such Parity Obligations on the registration books kept by the Paying Agent/Registrar.

Defeasance

The Bond Ordinance provides for the defeasance of the Bonds as follows:

(a) Any Bond and the interest thereon will be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Ordinance, except to the extent provided in subsection (d) below, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds become due and payable. At such time as a Bond is deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon will no longer be secured by, payable from, or entitled to the benefits of, the revenues pledged as provided in the Bond Ordinance, and such principal and interest will be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of the Bond Ordinance to the contrary, any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) above not be irrevocable; provided, however, that: (1) in the proceedings providing for such payment arrangements, the City expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any money so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, must be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such money in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) above. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, will be remitted to the City or deposited as directed in writing by the City.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(d) Until all Defeased Bonds become due and payable, the Paying Agent/Registrar must perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City will make proper arrangements to provide and pay for such services as required by the Bond Ordinance.

(e) In the event that the City elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar will select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

Payment Record

The Issuer has never defaulted in payments on its bonded indebtedness.

Use of Certain Terms in other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the direct or indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System and (ii) except as described above, notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If however, the aggregate principal amount of any issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name DTC's partnership nominee, Cede & Co., The deposit of Securities with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may in effect from time to time.

Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and its disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner must give notice to elect to have its Securities purchased or tendered, through its Participant, to Paying Agent/Registrar, and must effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC accounts.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

DTC Year 2000 Disclosure. DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 200 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. this program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among other. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant and (ii) determine the extent of their efforts for

Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to service as a representation, warranty, or contract modification of any kind.

THE PARKING SYSTEM

Background

The City has over 30 years of experience in the management and operation of garage and surface lot parking facilities. As shown in the table below, the City's first surface lot, with 173 parking spaces came on line in 1965. This was followed by an appropriation of $1,128,071 in the Fall of 1967 for the construction of a 465 parking space structure known as the Marina Garage. In 1973, a 35-space parking lot came on line. In the mid 1970's the City sought the development of several luxury hotels in the downtown area to support anticipated growth in the San Antonio convention and visitor services industry. To encourage the development of these hotels, a financial feasibility study for the construction of a municipal parking garage was undertaken in 1975. In 1976, City Council authorized the initial planning of a parking structure to be operated as a municipal enterprise. The 1975 parking feasibility study was revised in 1977 with the recommendation to construct a parking garage in the downtown River Bend area. As a result of the study, the City acquired land for the site of downtown centrally located parking facility in 1978 and awarded a contract for the construction of an estimated 714 space parking garage in August, 1979. In 1978 and 1979 $6,400,000 certificates of obligation were sold to provide funds for the construction of the facility now known as the River Bend Garage.

The 1979-80 Budget created the "Parking Facilities Fund" which was administered by the Traffic and Transportation Department. The purpose of creating a Parking Facilities Fund was to provide for the self-sustaining operation of all City-owned parking facilities and meters. The objective was to encourage the further revitalization and development of the downtown area through the provision of low cost parking. Construction of the River Bend Garage was completed in 1981.

The City undertook a third feasibility study in 1981 and 1982 for the construction of another parking garage in the downtown area. An amount of $2,500,000 Certificates of Obligation were sold in December, 1982 to provide funds for the acquisition of land for a parking structure known as the Mid City Garage. The land was acquired in 1982 and subsequently leased to Mid City Limited, a Texas Limited Partnership, to construct and operate the facility. Ultimately, the Federal Deposit Insurance Corporation became the successor, through foreclosure, to the interest of Mid City Limited and sold the facility to the City. The City sold certificates of obligation in the summer of 1992, of which $1,700,000 were utilized to acquire and make improvements to the parking garage known as the Mid City Garage.

The HemisFair Garage was constructed by the City and came into service in 1987. The facility cost approximately $9,437,000 which was funded through the issuances of certificates of obligation. The initial structure had approximately 1,215 parking spaces of which 471 spaces were razed in 1996 for the construction and expansion of the City's convention center. It is planned that the remaining 744 spaces will also be razed and replaced with the Convention Center Garage constructed on the same site as a part of a proposed construction of a 1,200 room headquarters hotel. The new facility will be built into the headquarters hotel and will be designed to accommodate the aesthetic and structural requirements of the headquarters hotel.

In 1989 the City acquired a closed department store and adjacent parking garage. Major renovations were made to the department store structure converting it into a new and modern library facility. Renovations to the parking garage were made in 1994 and 1995 which was funded primarily from the issuance of $1,500,000 in certificates of obligation. The Library Garage has 428 parking spaces.

In addition to the aforementioned surface lots, the City has acquired 1,049 surface lot parking spaces from 1983 through 1997. These surface lots were acquired with funding to include cash on hand and proceeds from the issuance of certificates of obligation. The total number of City-owned surface lot parking spaces is 1,257.

Other parking facilities include 1,902 City-owned and operated on-street parking meters. The City also leases 3,033 and 350 surface lot parking spaces from the State of Texas and the United States government, respectively. These leased spaces include 2,528 spaces leased for the Texas Department of Transportation ("TX-DOT"), 515 spaces leased from the Texas General Services Commission ("TX-GSC") and 350 spaces leased from the United States General Services Administration ("US-GSA"). Revenue from the TX-DOT leased spaces is restricted by agreement with the State of Texas to not set parking rates in excess of what is required to cover operating and maintenance expenses. TX-DOT does not charge a fee to the City for the utilization of the spaces. The TX-DOT contracts may be terminated by either party with 30-days notice. It is unlikely that any such contracts will be terminated in the immediate future. The major reason for a termination would be if TX-DOT needed the space in relation to street and highway improvements. A nominal fee is paid to the TX-GSC for the leased parking spaces and there is no restriction on the parking rates charged or amount of revenue produced. These contracts were entered into in 1991 and are renewable every five years through 2016. The 350 spaces leased from the US-GSA require the City to pay $2,042 per month. There is no restriction the rates the City may set or the amount of revenues the City may generate. The lease was entered into in 1987 and is renewable every five years through 2012.

Existing Parking System

Parking Garages:

The City has been proactive in the management and evaluation of sufficient downtown parking to ensure available parking space that will accommodate the City's infrastructure and economic development initiatives. The Parking System, currently has an inventory of 9,889 parking spaces, comprised of five garages totaling 3,347 spaces, 11 surface lots with 1,257 spaces, 1,902 on-street meters, and 9 leased surface parking lots with 3,383 spaces. There are an estimated 32,660 parking spaces in the downtown area of which the Parking System controls approximately 30%, excluding the 2,800 City-owned spaces at the Alamodome.

Four of the five parking garages are cast in place structures and the other is a steel frame structure with metal deck forms. All of these facilities are owned and managed by the City. Three of these facilities have ground level retail space with approximately 42,000 square feet of retail/office space. The estimated useful life for these parking structures is 60 to 70 years with routine maintenance. The facilities are in good structural condition and have a minimum remaining useful life of 30 to 40 years.

The Marina Garage was built in 1967 and 1968 and is a concrete cast in place column structure with pre-cast concrete façade wall panels and brick pilasters. This facility has 465 spaces with five levels and a basement. This facility is directly across from the Convention Center and the Lila Cockrell Theatre. It is also in the proximity of two hotels.

The River Bend Garage was built in 1980 and 1981 with an initial 700 spaces on eight levels. In 1990, an additional level having 100 spaces was added for a total of 800 parking spaces. It is a cast in place concrete structure with a pre-cast facade and a sandblast finish. There are 500 spaces open to the public and 300 spaces on the three top levels are leased to the Hilton Hotel.

The HemisFair Garage was built in 1987 with 1,215 spaces. In 1996, the garage was downsized to 744 spaces to make room for the expansion of the Convention Center. It is a concrete structure with five levels of parking and ground level retail. This existing garage will be demolished, and the site will be used for a new 1,200 room convention headquarters hotel and new parking garage. This facility will be taken off line beginning in September, 2000. The new parking facility will be owned, managed, and operated by the City and is expected to be operational by July, 2003.

As previously mentioned, the City acquired land for the Mid City Parking Garage in fiscal year 1983 and subsequently entered into a ground lease agreement with Mid City Limited to construct and operate the garage. The Mid City garage was built in 1984 and is a steel frame structure with a concrete slab on metal deck forms. It has a brick veneer facade on the upper levels with stone cladding and store front retail space. There are 910 parking spaces on 10 levels and a basement. Mid City Garage is located across from the La Mansion Hotel and the Nix Hospital, next to the Majestic and Empire Theatres, and very close to another hotel and the Riverwalk. In August 1992, the City acquired the Mid City Parking Garage from the Federal Deposit Insurance Corporation as ultimate successor, through foreclosure, to the interest of Mid City Limited. When the City purchased the Mid City, the facility was renovated and repairs were made to enhance the appearance and operation.

The fifth City-owned parking garage is the Library Garage, which is a renovated structure that is adjacent to the City's main library. The facility is of concrete structure construction with 428 parking spaces on three levels.

Surface Parking Lots:

There are 20 surface parking lots within the Parking System. The City owns 11 of these lots (1,257 spaces) and nine (3,383 spaces) are leased from State of Texas and United States Government. The majority of the lots are staffed with parking attendants to provide customer service and monitoring of the facility. Four of these lots are high turnover lots owned by the City and have revenue control equipment to maximize revenue. The surface lots are paved, in good condition and have an expected useful life of 25 years with routine maintenance and repairs.

One of the City-owned surface lot locations in the current inventory of parking spaces includes the Commerce/Soledad Lot. This is a small asphalt surface lot with 35 spaces. Beginning in October, 2000, this surface lot will be taken out of service to accommodate the City Civic Center Master Plan which provides for a pedestrian mall and park area linking it to the Riverwalk.

The City has 1,902 on-street parking meters in the downtown area. These meters have recently been converted from mechanical to electronic mechanisms. The digital electronics are state-of-the-art and allow for improved operation. In addition, these digital mechanisms are able to detect foreign coins and improve revenue collection. The majority of the meters are operated Monday through Friday, however, 25% of these meters are operated Monday through Saturday because of the demand for parking on weekends. The Parking System also includes 88 event parking meters which are operated during events at the Alamodome.

Proposed Parking Garages

The St. Mary's Street Garage will have a total of 707 parking spaces with 15,573 square feet of store front retail and office space. This facility will be a six-floor, poured in place parking structure with an attractive facade and decorative art to complement the high volume traffic area. The facility will be close to major businesses downtown and will also be used in the evening by patrons enjoying two of the City's major downtown performance and art theatres, by tourists visiting the nearby Riverwalk establishments, and by the nearby hotels. The garage will have artistic signage to improve visibility to regular customers and first time visitors to downtown San Antonio. It is planned that construction will commence in the Summer 2000, and the facility is expected to be in service by June, 2001.

The Convention Center Garage will have 800 parking spaces. The facility will be incorporated into the construction design of the convention center headquarters hotel. It will be open to the public and located next to the Convention Center which has been expanded to double the convention center floor space to 440,000 square feet. The headquarters hotel will have 1,200 rooms and utilize an additional 300 underground parking spaces of the Convention Center Garage. It is normal for a hotel to have at least one parking space for every two rooms. The new facility will be owned and managed by the City and will be a 24 hour operation. This new structure will have state-of-the-art revenue control equipment and security personnel. Its location is near to major retail establishments, the Lila Cockrell Theatre, and the Alamodome. Construction is expected to commence in late 2001 and is planned to open in July, 2003.

Renovation and Enhancement Program

The City has contracted with an architectural firm to provide an assessment of the existing parking garages. The assessment includes internal vehicle circulation, aesthetics, exterior colors, lighting standards, signage/graphics, landscaping, and vertical circulation. A major product from this effort will be a uniform and enhanced exterior signing for all existing and proposed city garages, thus allowing customers to identify the city facilities quickly while driving in the downtown area.

Another major enhancement program involves the installation of a traveler information system for parking. The City will contract with a transportation/engineering firm to design and install this new system. The system will provide potential customers with parking information while driving in the downtown area. The parking information will be sent by radio to strategically placed electronic signs along the roadway. The electronic signage will display the availability of parking spaces in a specific garage as well as provide directions to the garage. The purpose of the electronic signage system is to assist motorists to find parking space and thereby ensure high occupancy levels in the garages.

Construction Program

The Bond proceeds plus available cash on hand will be utilized to fund the following Parking System construction projects: (a) raze the HemisFair Garage (744 spaces) in Summer 2000, (b) commence construction of the St. Mary's Street Garage (707 spaces) in Summer 2000 with an expected completion date of June, 2001, (c) begin construction of the Convention Center Garage (800 spaces) in late 2001 with an expected completion date of July, 2003, (d) renovate the existing facilities and provide enhanced signage, and (e) install electronic trailblazer signs with parking space availability information. The City believes that the construction program will be complete in three years.

Summary of Projected Parking System Spaces

Upon completion of the construction of the new facilities, the City will have approximately 10,617 parking spaces as shown in the table below.

Facility	Existing Spaces	Spaces Razed	Proposed Additional Spaces	Total Projected Spaces
Garages	3,347	(744)	1,507	4,110
Surface Lots	1,257	(35)	---	1,222
On-Street Meters	1,902	---	---	1,902
Leased Spaces	3,383	---	---	3,383
Total	9,889	(779)	1,507	10,617

Competing Facilities

The City is the largest parking operator in the downtown area with approximately 30% of the approximately 32,660 downtown parking spaces. The City controls, sets rates, and operates its parking facilities. Shown below is a table which lists the largest parking operators.

Operator	Number of Spaces	Percent of Total
City Parking System	9,889	30.28%
Alamodome (City-owned)	2,800	8.57
Allright Parking	2,469	7.56
Central Parking	5,980	18.31
AMPCO	1,694	5.19
Classified Parking	1,928	5.90
Other	7,900	24.19
Total	32,660	100.00%

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Existing and Proposed City-Owned Garages and Surface Lots

Shown below are the City's existing and proposed City-owned parking facilities, exclusive of 1,902 on-street parking meters and 3,383 leased surface lot spaces, and the approximate date in which they were put into service.

Table 1

Facility	Date Completed or to be Completed	Current & Proposed Spaces	Cost or Value*
GARAGES:			
Marina	1967	465	$ 1,128,071
RiverBend	1981	800	5,729,864
HemisFair (to be razed Summer 2000)	1987	744	9,437,249
Mid-City	1992	910	1,821,573
Library	1995	428	1,656,014
St. Mary's Street	2001	707	13,102,884
Convention Center	2003	800	9,613,000
Total		4,854	$42,478,654
SURFACE LOTS:			
Non-Metered:			
Dolorosa Street	1965	173	$ 1,384,000
Houston/Cameron Street	1973	35	280,000
Commerce Street (lots to be made into pedestrian mall)	1984	35	280,000
Continental Street	1983	89	712,000
Center Street	1992	148	1,184,000
Market Square	1993	177	1,416,000
Municipal Courts	1997	155	1,240,000
Cattleman's	1997	223	1,784,000
Total		1,035	$ 8,280,000
Metered:			
Rossy Salinas Flores	1989	47	$ 376,000
San Antonio College	1989	117	936,000
San Fernando	1989	58	464,000
Total		222	$ 1,776,000
GRAND TOTAL		6,111	$52,534,654

* The value of the garages is shown as the acquisition or cost of construction. Surface lots are valued at $25 per square foot with each space being approximately 320 square feet.

Parking Demand

The City employed the services of the Consulting Engineers Group, Inc. to complete a parking study in 1995. The objectives of the study were to: (a) review and define the parking needs of six specific downtown areas; (b) identify parking location alternatives; and (c) coordinate and consolidate the improvement requirements of each area into a single set of recommendations. The study areas included: (1) the eastern periphery of downtown known as Sunset Station; (2) the convention center; (3) the central city; (4) the Houston Street Corridor; (5) the Historic Civic Center; and (6) the western periphery of downtown. The study recommended additional parking facilities to include approximately 800 spaces for the Central City, 265 to 600 spaces for the western periphery, 1,400 spaces for the Houston Street Corridor, and 700 spaces for the convention center. It was further recommended that construction of such facilities commence in 1996 and that additional facilities in the eastern periphery of downtown and the historic civic center should be reevaluated at a future date. In 1996 the City acquired the surface lot with

223 spaces known as Cattleman's Square on the western periphery of downtown near the University of Texas at San Antonio Downtown Campus. The proposed parking garages are consistent with the study recommendations.

The parking study identified a growing parking demand due to new development in the downtown area. A significant amount of the development anticipated in the study has already occurred. Specifically this demand includes improvements along the Riverwalk, new hotels, refurbished theatres, existing office space absorption, and the renovation of the former Central Library into a the new International Building. In addition to new development, existing businesses in the downtown area continue to grow and have inquired about additional parking in the downtown area to meet the additional demand of increased staffing.

Since the parking study, additional growth has occurred in the downtown area. At October, 1999 there were 60 downtown projects listed, varying from conception to near completion with a value totaling in excess of $1 billion. Two major projects include the convention center headquarters hotel and Houston Street redevelopment efforts that are currently underway. The headquarters hotel project is a public/private venture to construct a 1,200 room headquarters hotel near the new convention center. The public contribution is approximately $15,000,000 and the private contribution is estimated at $198,000,000. Another major project is a public/private venture to redevelop downtown's Houston Street. The project is a combined public and private participation in excess of $100,000,000 for a mixed use development which includes building renovation, new construction for hotels, offices and retail space.

As a result of the economic development activity in the downtown area the City has identified specific demand for the proposed new facilities.

- Southwestern Bell Corporation has requested 300 to 500 spaces to accommodate its employees.
- A waiting list for 155 spaces currently exists for monthly contract spaces in the Mid City Garage. This demand will be satisfied in one of the new parking facilities.
- The location of one of the proposed new parking facilities currently houses a surface lot with 106 spaces which will be absorbed in the new parking facility.
- The City will move 150 existing monthly contract customers from the Mid City Garage to the new parking facility. Space in the Mid City Garage will be used to accommodate demand anticipated by a new hotel to be built as a part of Houston Street redevelopment project.
- 180 parking spaces have been requested to accommodate office workers resulting from the Houston Street redevelopment project.
- Weston Properties has recently requested 300 to 500 spaces.

The table below shows estimated parking requirements as requested by various entities.

Source of Demand	Spaces Needed
Houston Street Redevelopment	690
Southwestern Bell Corporation	450 to 650
Replacement of Existing Surface Lot Spaces	106
Mid City Garage Waiting List	155
Nix Hospital	400
South Texas Building	200
Convention Center	800
Total Estimated Demand	2,801 to 3,001

Management of the Parking Facilities

The Department of Public Works is responsible for the management and operation of the parking facilities The Public Works Director, Mr. John L. German, P.E., has 38 years of experience in public works management, traffic engineering, and executive level management. He holds a B.S. in Civil Engineering from Texas A&M University in College Station, Texas, a post graduate certificate from Yale University, and M.A. from the LBJ School of Public Affairs at the University of Texas in Austin. Mr. German is currently responsible for the supervision of over 1,600 employees, an operating budget of $106 million and a $300 million capital improvement program. One of the ten operating divisions within the Public Works Department is the Parking Division, with over 147 full-time equivalent employees and a $5.3 million budget. Prior to joining the City of San Antonio in 1992, Mr. German was President and Chief Executive Officer of the Texas Research and Development Foundation where he was responsible for the management of large scale federally funded transportation research projects. In addition, Mr. German served as the Executive Vice President for Real Estate and Land Development at Franklin Savings Association Austin, Texas from 1983-88. During his 14 years with the City of Austin, he was Director of Public Works and then Assistant City Manager.

Ms. Sandra Stinson Stout, Assistant Director of the Department of Public Works is responsible for direct oversight of the Parking Division. Ms. Stout has held various transportation planning positions as a consultant and in the public sector in San Antonio, Texas; Alexandria, Virginia; and Atlanta, Georgia since 1978. Ms. Stout holds a B.A. from the University of Texas at Austin, Texas and M.S. in Environmental Management from the University of Texas at San Antonio, Texas. She is a member of the Institute of Transportation Engineers. Prior to joining the Public Works Department in 1999, Ms. Stout was involved in transportation planning consulting, as president of her own firm. Her firm was involved in a traveler information kiosk project for the 1996 Olympic Games in Atlanta, Georgia. From 1985 to 1994, Ms. Stout served as the Director of Bureau of Traffic and Transportation for the City of Atlanta where she managed all aspects of traffic operations including parking with a staff of 130 employees, $11 million operating budget, and $4 million capital improvement.

Mr. Robert Galindo, Parking Operations and Enforcement Manger in the Department of Public Works, Parking Division is responsible for the day to day management of the Parking Division. Mr. Galindo holds a B.B.A. in Accounting from St. Mary's University, San Antonio, Texas and M.B.A. in Finance from Our Lady of the Lake University, San Antonio, Texas. Mr. Galindo is a Certified Public Accountant and has been employed in the Parking Division since 1988, fulfilling various positions from accountant to his current position as manager. Mr. Galindo, CPA, is a member of the International Parking Institute, editor of the Texas Parking Association Newsletter and past president of the Texas Parking Association. Mr. Galindo is assisted in the day to day parking operations by Mr. Charles Leschber. Mr. Leschber holds a B.A. in Personnel Administration/Marketing and M.B.A. from the University of Texas at San Antonio, Texas. Mr. Leschber has been involved in parking operations and maintenance of parking facilities with the City of San Antonio since 1981.

The management team for the Division is led by a Parking Operations and Enforcement Manager, an Assistant Manager, and an Administrative Services Manager. The management team is responsible for the operations, maintenance, administration, parking enforcement, meters maintenance and collections, and fiscal sections. All operations for the Division are through City employees. Parking Attendants working for the City usually have better pay with benefits than their counter parts in the private industry. There are 181 authorized positions within the Division. All sections are daily seven day a week operations, except for the Meters Section, to accommodate the parking needs of the public and to handle major events downtown. The Operations Section is responsible for the daily operations of all parking facilities. These facilities include three garages which are 24 hour operations. The Maintenance Section is responsible for the daily upkeep and routine maintenance of the parking facilities. There are 25 maintenance staff including a Superintendent and Supervisor responsible for the section, electrician, two electronic technicians, a light equipment operator, and 14 line staff for routine maintenance and cleaning of the facilities. The Meters Section has five personnel responsible for the collection and maintenance of the meters and providing customer service Monday through Friday. The Parking Enforcement Section is comprised of ten Enforcement Officers, a Senior Administrative Clerk, and the Enforcement Supervisor. This section enforces parking regulations downtown and provides customer service to downtown employees, businesses, and tourists. The Fiscal Section is responsible for the accounting, collecting, and depositing of all funds on a daily basis. This section has a staff of nine including a Fiscal Officer and an Accountant II. The Fiscal Section maintains the revenues and expenses for the Division. The Division also has a full-time Auditor and Safety Officer to ensure operations are in compliance with policies and regulations and to provide a safe environment for employees and patrons. Together these sections are managed to provide affordable parking downtown in efficient and safe facilities to downtown employees and tourists with good customer service.

Rates and Charges

Establishment of Parking Rates. Parking rates are collaboratively proposed to City Council by the City's Departments of Public Works, Budget and Performance Assessment, Finance, and Economic Development. City Council then annually acts to approves or disapproves the parking rates during the budget process. Several factors are considered when the City establishes the parking rates, including the Parking System's revenues and expenses, comparisons to parking rates in cities of similar size throughout the southwestern United States, the competition, and the impact of the fees on economic development of the City.

Historical Parking Rates. The City has historically responded to the operational requirements of the Parking System by raising parking rates as deemed necessary for the efficient and prudent operation of the Parking System. Rates have been established to be very competitive with private parking operators. The private operators normally adjust their rates when the City establishes or changes their rate. Private operators are usually higher than City operated facilities. Rates are established taking demand into account and allowing for maximum utilization of the parking facilities by the public.

Shown below is a summary of the City's current parking rates.

Parking Rates

Table 2

Facility	Commercial	Residential	Daily Rate	Event Rate
Riverbend Garage	$63.00	$45.00	$5.25	$5.00
Marina Garage	50.00	45.00	5.25	5.00
Convention Center Garage	63.00	45.00	5.25	5.00
Mid-City Garage	63.00	45.00	5.25	5.00
Library Garage	25.00	N/A	3.75	4.00
St. Mary's Street Garage	63.00	45.00	5.25	5.00
Dolorosa Street Lot	35.00	N/A	4.50	5.00
Continental Lot	31.50	N/A	4.50	5.00
Market Square Lot	33.00	N/A	4.20	4.00
Houston/Nolan Street Lot	22.00	N/A	1.00	5.00
I-35 Lots	20.00	N/A	1.00	4.00

Hourly Parking Rates

Parking Period	Several Facilities(1)	Library Garage	Dolorosa & Continental Lots	Market Square Lot
One half hour	$0.75	$0.50	$0.75	$0.40
31 minutes - 1 hour	1.50	1.00	1.50	0.80
1 hour - 1-1/2 hours	2.50	1.75	2.50	1.40
1-1/2 hours - 2 hours	3.50	2.50	3.50	2.00
2 hours - 2-1/2 hours	4.50	3.25	4.50	2.60
2-1/2 hours to 3 hours	5.25	3.75	4.50	3.20
3 hours - 3-1/2 hours	5.25	3.75	4.50	3.80
3-1/2 hours - 24 hours	5.25	3.75	4.50	4.20
Lost Ticket	10.50	3.75	4.50	4.20

(1) The Riverbend Garage, Marina Garage, Convention Center Garage, Mid-City Garage, and the St. Mary's Street Garage are currently under the rate structure described above.

The HemisFair Garage is projected to discontinue operations in July, 2000 and has not been included.

Parking Fines, Enforcement Policy, and Collections

The Parking Enforcement Section of the Parking Division enforces all parking violations in the downtown area. The ticket fines are not a component of the Pledged Revenues. Fines are collected through Municipal Courts and deposited to the general fund. The Parking Division is reimbursed for personnel costs of operating the

Enforcement Section. Vigorous enforcement is encouraged to promote turnover in the central business district. Parking Enforcement also utilizes an automobile boot to immobilize vehicles which have three or more delinquent parking tickets. The Enforcement Officers use a hand held ticket writer which alerts the Enforcement Officer when issuing the ticket if the vehicle is eligible to be booted. Then the Enforcement Officer makes immediate contact via two-way radio with Municipal Courts to verify if the vehicle has not paid outstanding tickets. If such outstanding tickets have not been paid the vehicle is booted. The tickets must be paid prior to the release of the vehicle. The Enforcement Section has a total of ten Enforcement Officers, a Senior Administrative Clerk, and a Parking Enforcement Supervisor.

Financial and Budgetary Support Systems

The City's Finance Department is responsible for all fiscal affairs, financial management, and related systems for the City including the Parking System. The Department is divided into four divisions including: Accounting, Financial Management, Public Utilities, and Treasury. The Department is operated with a full-time staff of 83. The City maintains sophisticated systems for the effective management of its debt, investments, pensions, risk management, and related reporting thereon.

Table 3
Historical Gross Revenues

Year	Gross Revenues[1]	Year	Gross Revenues[1]
1986	$2,693,963	1993	$5,261,802
1987	2,680,585	1994	5,513,102
1988	3,873,499	1995	6,887,653
1989	3,948,120	1996	7,487,370
1990	3,856,448	1997	7,433,905[2]
1991	4,108,653	1998	7,436,475
1992	4,605,292	1999	8,117,505

[1] Includes leased spaces
[2] Reflects loss of revenue from 471 spaces razed at HemisFair Garage, leaving 9,889 Spaces

Table 4
Historic Pro-Forma Coverage

Gross Parking System FY Ending 1999	$8,117,505
Maximum Annual Debt Service of the Bonds	$2,265,375
Debt Service Coverage	3.58 times

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Table 5

Historical and Projected Parking System Operating Cashflow

	Historical		Projected					
	1998	1999	2000	2001	2002	2003	2004	2005
Gross Operating Revenues	$ 6,884,901	$ 7,522,794	$ 7,125,035	$7,223,639	$ 8,574,081	$ 8,865,487	$10,407,739	$10,448,966
Gross Non-Operating Revenues	551,574	594,711	427,314	552,563	560,691	567,591	571,085	588,596
Total Gross Revenue	$ 7,436,475	$ 8,117,505	$ 7,552,349	$7,776,203	$ 9,134,772	$ 9,433,077	$10,978,823	$11,037,563
Revenue Available for Debt Service	$ 7,436,475	$ 8,117,505	$ 7,552,349	7,776,203	$ 9,134,772	$ 9,433,077	$10,978,823	$11,037,563
The Bonds Debt Service Requirement	$0	$0	$ 394,990	$1,367,273	$ 1,367,273	$ 1,367,273	$ 1,767,273	$ 1,797,273
The Bonds Debt Service Coverage	N/A	N/A	19.12	5.69	6.68	6.90	6.21	6.14
Operations & Maintenance Expenses	$ 4,984,407	$ 5,574,755	$6,024,039	$ 5,635,528	$ 6,014,458	$ 6,243,229	$ 6,640,421	$ 6,806,431
Revenues Available for Other Obligations	$ 2,452,068	$ 2,542,750	$1,133,320	$ 773,402	$ 1,753,045	$ 1,822,576	$ 2,571,130	$ 2,433,859

Projected Operations Assumptions

The City used the following assumptions to estimate Parking System revenues: (a) HemisFair Garage and Commerce/Soledad Surface Lots are taken out of service in 2000; (b) planned revenue adjustments are (i) parking fees are increased every five years, (ii) metered parking fees are increased approximately every five years, and (iii) retail/office space leases are increased by approximately 10% every five years; and (c) operating expense adjustments are (i) personnel – annual increases of approximately 2.5% and (ii) operating expenses – annual increases of approximately 2.5%.

Debt Service Schedule

The table below shows the debt service payable on the Bonds and the Other Parking-Related Obligations:

Table 6

	The Bonds		Other Parking-Related Obligations		
Fiscal Year	Principal	Interest	Principal	Interest	Combined Debt Service
2000	$ 0	$ 394,989.83	$1,145,000	$ 937,780	$ 2,477,769.83
2001	0	1,367,272.50	835,000	879,803	3,082,075.50
2002	0	1,367,272.50	1,055,000	836,363	3,258,635.50
2003	0	1,367,272.50	1,135,000	779,310	3,281,582.50
2004	400,000	1,367,272.50	1,195,000	720,430	3,682,702.50
2005	450,000	1,347,272.50	1,240,000	657,348	3,694,620.50
2006	600,000	1,324,772.50	1,185,000	591,173	3,700,945.50
2007	620,000	1,294,772.50	1,250,000	526,683	3,691,455.50
2008	660,000	1,263,772.50	1,290,000	457,206	3,670,978.50
2009	850,000	1,230,442.50	1,200,000	384,286	3,664,726.50
2010	350,000	1,187,092.50	2,020,000	314,731	3,871,823.50
2011	575,000	1,169,067.50	1,950,000	200,749	3,894,816.50
2012	1,110,000	1,139,455.00	765,000	93,455	3,107,910.00
2013	1,170,000	1,081,735.00	685,000	50,279	2,987,014.00
2014	1,230,000	1,020,310.00	150,000	12,939	2,413,249.00
2015	1,300,000	952,660.00	90,000	4,860	2,347,520.00
2016	1,370,000	881,160.00			2,251,160.00
2017	1,445,000	805,810.00			2,251,810.00
2018	1,535,000	726,335.00			2,261,335.00
2019	1,625,000	640,375.00			2,265,375.00
2020	1,700,000	548,562.50			2,248,562.50
2021	1,800,000	451,662.50			2,251,662.50
2022	1,900,000	348,162.50			2,248,162.50
2023	2,020,000	238,912.50			2,258,912.50
2024	2,135,000	122,762.50			2,257,762.50
TOTAL	$24,845,000	$23,639,174.83	$17,190,000	$ 7,447,395	$73,121,569.83

RISK FACTORS

The Bonds are subject to certain risks, and the discussion below should be reviewed in evaluating the City's responsibility to pay the principal of, and interest on the Bonds. This discussion is not intended to be exhaustive.

Bonds not a General Obligation of the City. Payment of the Bonds is not a general obligation or other indebtedness of the City, but rather is payable solely from Gross Revenues and Pledged Funds. Registered Holders do not have a lien on the physical properties comprising the System and do not have a right to foreclose on the System to satisfy their claims for payment, rather such right is limited to a mandamus action to require the City to raise parking rates to derive revenues to pay such claims. The ability of the City to raise additional Gross Revenues through increased parking rates may be limited as a practical matter.

Financial Performance of System. The availability of Gross Revenues is dependent upon the financial performance of the System which may be adversely affected by a number of factors which are beyond the control of the City. Such factors include, but are not limited to, a major change in the demographics of the central business district as a center for employment and commercial activity, the construction of competing facilities by private or other public entities, and condemnation or catastrophic losses to the System.

Development of the System. The City's determination of the size and location of the Projects, the other projects which the City plans to add to the System, and the revenue which the City anticipates will be realized from the operation of the System are predicated upon anticipated future growth in demand for parking facilities within the City's core business district. While the City's projections are based upon factors and conclusions which it deems to be reasonable, there can be no assurance that actual events will correspond with anticipated events and that the projected operating results will be achieved. No recent demand study has been made of the existing parking supply and demand for future facilities by the City or by any consultant on behalf of the City.

Construction Risks. The City expects to enter into a maximum price construction contract for the construction of the Projects. However, as the cost of construction may be affected by factors beyond the control of the City, including strikes, energy shortages, material shortages, inflation, adverse weather conditions, contractor or subcontractor defaults, and other unknown contingencies, there can be no assurance that the construction cost of the Projects will not exceed the agreed-to contract price. Such increased costs, if they occur, may increase the amount of debt to be serviced by the Facilities and may adversely affect the operating results anticipated by the City.

Pending Tax Legislation. The opinions expressed by Bond Counsel as to compliance with the provisions of the Internal Revenue Code described under "TAX MATTERS" are based upon existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation.

There are three bills now pending in Congress proposing to amend the federal income tax laws. These bills, HR 2398, HR 2756, and HR 3097, as proposed, each have a retroactive effective date which predates the date of issue of the Bonds. Consequently, these bills would apply to the Bonds if adopted in their current form. The sponsor of one of these bills, HR 2756, has indicated that if it was possible, he would withdraw the bill and that in any event he will not seek any further action with respect to that bill. At the present time, the Ways and Means Committee of the U.S. House of Representatives has taken no action with respect to any of these bills and no hearings regarding these bills have been held. The City is unable to predict the effect of these bills on the tax exemption for the Bonds in the event they pass in their current form or any other form. If they are not passed before November 30, 2000, they must be reintroduced.

If any of these bills are enacted in their present form and were determined to apply to the Bonds, interest on the Bonds could be includible in federal gross income retroactive to their date of issue. The City has not covenanted to comply with future changes in federal tax law. The Bonds are not subject to optional or mandatory redemption if the interest thereon is determined to be includible in federal gross income nor is there a provision to increase the interest rate on the Bonds if such interest is determined to be includible in federal gross income. Consequently, if any of these bills are enacted and determined to apply to the Bonds, it could adversely affect the value of the Bonds. Inclusion of interest on the Bonds in federal gross income and alternative minimum taxable income or any combination thereof from the date of issuance of the Bonds or any other date, could result in a decrease in the market value of the Bonds and in the investment return to the owners of the Bonds and could have other adverse federal tax consequences.

Further, other amendments to the federal tax laws may be pending now or could be proposed in the future which if enacted into law could adversely affect the value of the Bonds, the inclusion of interest on the Bonds, from gross income and alternative minimum taxable income or any combination thereof from the date of issuance of the Bonds or any other date, or which could result in other adverse federal tax consequences. Owners of the Bonds are advised to consult with their own tax advisors regarding such matters.

INVESTMENTS

Available investable funds of the Issuer are invested as authorized and required by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Act") and in accordance with an Investment Policy approved by the City Council of the City. The Act requires that the Issuer establish an investment policy to ensure that Issuer funds are invested only in accordance with State law. The Issuer has established a written investment policy as most recently adopted on September 23, 1999. The Issuer's investments are managed by its Finance Director, who, in accordance with the Investment Policy, reports investment activity to the City Council.

Legal Investments

Under Texas law, the Issuer is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalents, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or financial institution doing business in the State of Texas; (9) bankers' acceptances with the remaining term of 270 days or less from their date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less, rated not less than "A-1" or "P-1" or an equivalent rating by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. bank or state; (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm at not less than "AAA" or its equivalent.

The Issuer may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; investment diversification, yield, maturity, and the quality and capability of investment management; and include a list of authorized investments for Issuer funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All Issuer funds must be invested consistent with a formally adopted "investment strategy statement" that specifically addresses each funds' investment. Each investment strategy statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Current Investments

At September 30, 1999, investable Issuer funds currently are 81.17% invested in obligations of the United States, or its agencies and instrumentalities, and 4.97% invested in a money market fund, with the weighted average maturity of the portfolio being less than one year. The remaining 13.86% of the City's portfolio includes $67,494,170.23 of convention center construction funds and convention center debt service reserve funds of $16,999,830, which are invested in fully collateralized repurchase agreements that are fully secured by obligations of the United States or its agencies and instrumentalities. The investments and maturity terms are consistent with State law, and Issuer's investment policy objectives are to preserve principal, limit risk, maintain diversification and liquidity, and to maximize interest earnings.

The market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 99.70% of their book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

GENERAL LITIGATION AND CLAIMS

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and promotional practices; various claims from contractors for additional amounts under construction contracts; and property tax assessments and various other liability claims. As of September 30, 1999, alleged damages in lawsuits are approximately $48 million. The amount of damages in most of the pending lawsuits are capped under the Texas Tort Claims Act; therefore, the potential liability is approximated at $10.9 million which is reserved in the City's Insurance Reserve Fund. The status of such litigation ranges from early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend vigorously against the lawsuits including any and all appeals; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such lawsuits.

In the opinion of the City Attorney, it is improbable that the lawsuits now outstanding against the City could become final in a timely manner so as to have a material adverse financial impact upon the Parking System.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, and Wickliff & Hall, P.C., San Antonio, Texas, Co-Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Co-Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. (See APPENDIX C – "Form of Opinion of Co-Bond Counsel" herein.)

In rendering their opinion, Co-Bond Counsel will rely upon (a) the Issuer's federal tax certificate, and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Co-Bond Counsel have based their opinion is subject to change by the United States Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond and (ii) the initial offering price to the public of the Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bonds in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bonds equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to the basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with Subchapter C earnings and profits, owners of an interest in a FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by Section 55 of the Code. Section 55 of the Code imposes a tax equal to 20% for corporations, or 26% for non-corporate taxpayers (28% for taxable income exceeding $175,000), of the taxpayer's "alternative minimum taxable income," if the amount of such alternative minimum tax is greater than the taxpayer's regular income tax for the taxable year.

Interest on the Bonds may be subject to the "branch profits tax" imposed by Section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of an obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e. the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local, and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States citizens.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds must not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The Issuer will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the legal opinion of Co-Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In their capacity as Co-Bond Counsel, McCall, Parkhurst & Horton L.L.P. and Wickliff & Hall, P.C., have reviewed the information appearing in this Official Statement under the captions "PURPOSES AND PLAN OF FINANCING," "THE BONDS," "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "LEGAL MATTERS" to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Co-Bond Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Co-Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinions of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on issuance and delivery of the Bonds. The respective legal opinions of Co-Bond Counsel will be printed on the definitive Bonds and the form of such opinions are attached hereto as Appendix B. Certain legal matters will be passed upon for the Underwriters by their counsel, Akin, Gump, Strauss, Hauer & Feld, L.L.P., San Antonio, Texas.

Neither the Attorney General, Co-Bond Counsel, the City Attorney, nor Underwriters' Counsel has been engaged to investigate or verify, and accordingly neither will express any opinion concerning, the financial condition or capabilities of the City or the sufficiency of the security for, or the value or marketability of, the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy. Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, Ambac Assurance will pay to the United States Trust Company of New York in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in case of interest. If the

Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment, or acceleration premium; or

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, or right to payment of principal or interest on such Bond, and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation. Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, and the Commonwealth of Puerto Rico, with admitted assets of approximately $4,013,000,000 (unaudited) and statutory capital of approximately $2,402,000,000 (unaudited) as of December 31, 1999. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Public Finance Ratings, Moody's Investors Service, and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Offering Memorandum other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE."

Available Information. The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities Exchange Commission (the "Commission"). Such reports, proxy statements, and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and filed on March 30, 1999;

2. The Company's Current Report on Form 8-K dated March 24, 1999 and filed on March 24, 1999;

3. The Company's 1999 Proxy Statement dated March 30, 1999 and filed on March 30, 1999;

4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1999 and filed on May 12, 1999;

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1999 and filed on August 13, 1999;

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1999 and filed on November 12, 1999;

7. The Company's Current Report on Form 8-K dated January 26, 2000 and filed on January 27, 2000;

8. The Company's Current Report on Form 8-K dated March 13, 2000 and filed on March 13, 2000; and

9. The Company's Current Report on Form 8-K dated March 21, 2000 and filed on March 22, 2000.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Offering Memorandum will be available for inspection in the same manner as described above in "**Available Information.**"

Y2K Update. To date, the Company has had no disruptions with its internal computer systems as a result of what is commonly known as the Y2K problem. Although the Company had been running tests on its critical systems throughout 1999, a final live test occurred on January 1, 2000. The results of this test indicated that the Company's internal computer systems, and the normal business activities and operations that depend on them have not been adversely impacted by Y2K sensitive dates.

Although Ambac Assurance does not expect issuers of Ambac Assurance-insured obligations to experience significant disruptions due to Y2K, in reality it will take considerable time before Ambac Assurance can fully assess how all of them have fared.

RATINGS

Fitch IBCA, Inc. ("Fitch"), Moody's Investor's Service ("Moody's"), and Standard & Poor's Public Finance Ratings ("S&P") have assigned public ratings on the Bonds of "AAA," "Aaa," and "AAA" respectively, based upon the Municipal Bond Insurance Policy described above under "BOND INSURANCE." An explanation of the significance of such ratings may be obtained from Fitch, Moody's, or S&P. The ratings of the Bonds by Fitch, Moody's, and S&P reflects only the views of said companies at the time the ratings are given, and the City makes no representation as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by Fitch, Moody's, and S&P, if, in the judgement of said companies, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Ordinance, the Issuer has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report with the City Clerk. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours of the City Clerk. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Clerk, City of San Antonio, Texas, 100 Military Plaza, San Antonio, Texas, 78205, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

The Issuer will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement indicated as Tables 1-6 and in Appendix C. The Issuer will update and provide this information within six months after the end of each fiscal year. The Issuer will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any State Information Depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited information within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer's fiscal year ends September 30. Accordingly, it must provide updated information by March 31 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The Issuer will also provide timely notices of certain events to certain information vendors. The Issuer will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The Issuer will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The Issuer has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to holders of the Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas has been designated by the State as a SID. The address of the Municipal Advisory Council is 600 West 8th Street, Austin, Texas, 78701, or Post Office Box 2177, Austin, Texas, 78768-2177 and its telephone number is (512) 476-6947.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of material events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

This continuing disclosure agreement may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Ordinance that authorize such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and Beneficial Owners of the Bonds. The Issuer may also repeal or amend the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance With Prior Undertakings

The Issuer has complied in all material respects with all of its previous continuing disclosure agreements in accordance with the Rule.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, including, but not limited to the information under the headings "THE BONDS – Security for the Bonds;" "THE PARKING SYSTEM – Proposed Parking Garages, –Renovation and Enhancement Program, –Construction Program, –Existing and Proposed City-Owned Garages and Surface Lots, –Parking Demand, –Historical and Projected Parking System Operating Cashflow, and Projected Operations Assumptions;" and "RISK FACTORS," and in any other information provided by the City, that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherent subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

FINANCIAL ADVISOR

Coastal Securities (the "Financial Advisor") is employed by the Issuer in connection with the issuance of the Bonds and, in such capacity, has assisted the City in the preparation of certain documents related thereto. The Financial Advisor's fee for service rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

The Financial Advisor has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made by the Financial Advisor as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinions as to the completeness and accuracy of the information contained in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of $24,507,787 plus accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed from time to time by the Underwriters.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the Underwriters will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last financial statements of the City appearing in the Official Statement.

AUTHORIZATION OF THE OFFICIAL STATEMENT

This Official Statement has been approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified, and approved by the City Council on the date of sale, and the Underwriters will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

This Official Statement has been approved by the Council for distribution in accordance with the provisions of the Rule.

/s/ Howard W. Peak
Mayor, City of San Antonio, Texas

ATTEST:

/s/ Norma S. Rodriguez
City Clerk, City of San Antonio, Texas

APPENDIX A

CITY OF SAN ANTONIO – GENERAL INFORMATION

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This Appendix contains a brief discussion of certain economic and demographic characteristics of the City and of the metropolitan area in which the City is located. Although the information in this Appendix has been provided by sources believed to be reliable, no investigation has been made to verify the accuracy or completeness of such information.

GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION

Population And Location

The 1990 U.S. Census cites the population of the City to be 935,933. The City of San Antonio Planning Department has estimated a population of 1,192,300 at December 31, 1999. The United States Census Bureau ranks the City as the second largest in the State of Texas and the eighth largest in the United States.

The City is the county seat of Bexar County which has a population of 1,185,394 according to the 1990 U.S. Census and the City of San Antonio Planning Department estimated the Bexar County population at 1,432,700 at December 31, 1999. The City is located in south central Texas approximately 75 miles south of the state capital in Austin, 140 miles northwest from the Gulf of Mexico, and approximately 150 miles from the Mexican border cities of Del Rio, Eagle Pass and Laredo.

Source: United States Bureau of the Census Population Division and the City of San Antonio Department of Planning

Area And Topography

The area of the City has increased through numerous annexations, and now contains approximately 417.103 square miles. The topography of San Antonio is generally hilly with heavy black to thin limestone soils. There are numerous spring fed streams with underground water. The average elevation is 788 feet above mean sea level.

Annexation Plan

Established in 1837, the City originally encompassed 36 square miles. The boundaries remained virtually unchanged until 1944 when an additional 20 square miles were annexed. The 1944 annexation was the first significant change to the corporate limits of the City in 106 years. Annexations over the years have increased the City's area to include 417.1 square miles as of October 1, 1999, with a total market valuation of $37.228 billion for Fiscal Year 2000.

In May 1999, the Texas Legislature passed a new annexation statute which changes the way Texas municipalities annex land. The City is developing new annexation policies consistent with the new statute requirements. Although additional limitations have been imposed on Texas cities through the new statute, San Antonio expects to continue to utilize annexation as a growth and development management tool, as well as an opportunity to enhance the City's fiscal position.

By virtue of the Municipal Annexation Act and the City's Home Rule status, the City has certain powers and responsibilities within its extra-territorial jurisdiction ("ETJ") (the area located outside, but within five miles of San Antonio's corporate limits and outside the boundaries or ETJs of other cities). Powers which the City may exercise over its ETJ include (i) the authority to establish and enforce subdivision regulations, (ii) the sole right of annexation without the consent of residents, and (iii) the power to designate any part of the area as an industrial district for the purpose of granting immunity from annexation for a period not to exceed seven years.

Form of Government and Administration

A Home Rule Charter (the "Charter") with a council-manager form of government was adopted in 1951. Since that time, the Charter has been amended three times. In 1991 a petition procedure resulted in the placement on the ballot of an amendment that would limit service by the Mayor and Council members to two full terms. Terms of office are currently two years. In 1990, the City Council appointed a Citizen's Charter Review Committee with a charge to conduct a comprehensive review of the Charter. This Committee presented its report in 1993. In 1996, the Mayor appointed a second Charter Revision Committee that consisted of five persons (three City Council members and two citizens) in order to review the first Charter Revision Committee's work and to hold public hearings to determine public interest with regard to Charter revisions. The Committee presented its report to City Council in January 1997 and, as result, the City Council thereafter placed five propositions on the ballot to amend the Charter at the May 1997 City election. The propositions were approved by the citizens at the May 3, 1997 election.

The City Council is composed of 10 members elected by district while the Mayor is elected at large. Because of term-limits council members and the Mayor each serve a maximum of two two-year terms. The terms of all elected officials currently sitting in office expire in May 2001.

The City Manager is appointed and serves at the pleasure of the City Council in the position of chief administrative officer of the City. The City has 10,822 authorized employment positions and has 9,381 employees as of September 30, 1999.

Population

The following table provides, as of April 1 for the years shown, the population of the City, Bexar County, and the San Antonio Metropolitan Statistical Area ("MSA"), which includes Bexar, Comal, and Guadalupe Counties:

Year	City of San Antonio	Bexar County	San Antonio MSA
1920	161,399	202,096	238,639
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	860,460	888,179
1980	786,023	988,971	1,088,881
1990	935,933	1,185,394	1,324,749

Source: U.S. Census of Population, 1920-1990.

Economic Factors

The City supports a favorable business environment and economic diversification which is represented by various industries, including domestic and international trade, convention and tourism, medicine and health care, government employment, agribusiness, manufacturing, financial business, telecommunications, telemarketing, insurance and mineral production. Support for these economic activities is demonstrated by the City's commitment to its on-going infrastructure improvements and development, its pro-business attitude and dedicated work force. Total employment in the San Antonio metropolitan statistical area for December, 1999 was 757,600, which is 13,900, or 1.87% more jobs than the total of 743,700 for December, 1998. Services, trade and government represent the largest employment sectors in San Antonio. The City serves as a major insurance center in the Southwest, and is the headquarters location for several insurance companies, including United Services Automobile Association which is the nation's seventh largest private automobile insurer and the sixth largest homeowners insurer.

Military Installations

The military represents a principal component of the economy in Bexar County. According to the Greater San Antonio Chamber of Commerce, as of September 30, 1999, the military employed approximately 71,252 military, civilian and reserve part-time personnel with an aggregate payroll of $1.99 billion. Military construction represented an estimated $117.6 million in 1999. Five major military installations are located in Bexar County, including Kelly Air Force Base, Lackland Air Force Base, Fort Sam Houston, Brooks Air Force Base, and Randolph Air Force Base.

Defense reductions in military including the closing of the Air Logistics Center at Kelly Air Force Base may have an affect on the San Antonio economy. San Antonio's other military installations have not had major cutbacks and in some cases have even benefited from consolidations. The City, the San Antonio Economic Development Foundation, and the Greater Kelly Development Corporation are actively working to bring new business to the privatized portion of Kelly Air Force Base.

Source: Greater San Antonio Chamber of Commerce and Greater Kelly Development Corporation.

Medical and Research Facilities

The City's health care sector provides major health care services through its medical, research, education, and development facilities. The Greater San Antonio Chamber of Commerce, in its most recent Medical Impact Study, determined that the health care industry's impact on the city in 1998 was over $7.45 billion. The study concluded the industry has had an average annual growth rate of 9.3%, employing 101,250 employees, or 15.4 percent of total employees, and accounts for 16.1 percent of the wages paid in San Antonio.

The South Texas Medical Center has 12 major hospitals and nearly 80 clinics, professional buildings and health agencies with a combined 1999 payroll, operations and research budget of $2.9 billion. The Medical Center's 26,515 full and part-time employees see about 3 million patients annually. Planned construction at the South Texas Medical Center will total more than $86.481 million for 1999. Projects planned for the next five years will add an additional $231.5 million to plant and equipment values.

Central to the Medical Center is The University of Texas Health Science Center at San Antonio with its five professional schools, its Research Imaging Center with PET scanner, and a $300 million annual budget, supporting doctoral studies in medicine, dentistry, basic sciences and nursing with master's programs in allied health. The teaching, research and patient care missions of the University are carried out, in part, in the Medical Center's hospitals and agencies. Strong research groups in geriatrics, cancer, diabetes, heart disease, stroke prevention, dental studies, nursing education and many other fields attract more than $100 million annually in grants, contracts and awards for more than 1,000 patient related and basic science projects.

The Southwest Research Institute is one of the original and largest independent, nonprofit, applied research and development organizations in the United States. Serving industry and government around the world in the engineering and physical sciences. The Southwest Research Institute has a staff of 2,700 scientists, engineers and support personnel with an annual contract volume of $304 million. The number of major active research and development projects was over 1,358 for fiscal year 1998. Areas of expertise include biosciences, chemistry, chemical engineering; fuels, lubricants and emissions research; advanced computer technology; fluid systems, and machinery dynamics and other fields.

The Southwest Foundation for Biomedical Research is one of the largest and internationally renowned independent, non-profit, biomedical research institutions in the United States, which conducts fundamental and applied research in the medical sciences. Their major research programs include studying cardiovascular diseases, infectious diseases, the role of genetics in human diseases, respiratory diseases of the newborn, fetal growth and development, hormonal research, behavioral medicine and cancer of the skin, eye, liver and blood. The foundation has a long history of research with nonhuman primates and maintains the world's largest baboon breeding colony, which includes about 3,000 animals. The Foundation had a 1998 annual budget of $30 million and its staff of 310 worked on more than 30 separate research projects.

The Texas Research Park, founded in 1991, generates more than $200 million in economic activity for the San Antonio each year. The park is owned and operated by the Texas Research and Technology Foundation and has been instrumental in creating four major research institutions, 12 new biotechnology companies, two manufacturing plants and hundreds of high-paying jobs. Some of the facilities located in the park include the University of Texas Institute of Biotechnology and its Department of Molecular Medicine and the Cancer Therapy and Research

Center's Institute for Drug Development with annual budgets of $11.5 million and $13 million and employing 105 and 140 persons respectively.

Additionally, the presence of three major military hospitals, including the Air Force's largest hospital, Wilford Hall, has also positively impacted the City for decades. The military health system employs 7,583 in San Antonio with a total gross payroll of $429.4 million. In the past ten years, the newly formed joint medical command has formalized its relationship with the other providers to improve working relationships among hospitals. Brooke Army Medical Center, which recently located to a new, state-of-the-art facility, is home to the world-renowned burn center.

Convention Activity

The City is proactive in attracting convention business through its management practices and marketing efforts. The following table shows convention activity since 1988.

Calendar Year	Conventions	Attendance	Number of Room Nights(1)	Estimated Dollar Value
1988	897	387,928	685,320	$ 278,000,000(2)
1989	1,089	443,910	728,641	320,000,000
1990	1,128	521,304	797,055	375,000,000
1991	1,142	536,701	764,825	386,300,000
1992	1,219	513,205	786,591	369,400,000
1993(3)	1,597	576,720	976,732	472,200,000(4)
1994	1,647	488,979	947,753	400,400,000
1995	1,536	512,045	982,045	419,300,000
1996	1,391	575,668	959,543	471,400,000
1997	1,502	571,950	944,807	468,300,000
1998	1,497	607,890	1,038,472	497,752,490
1999(5)	1,511	552,234	938,992	452,180,243

(1) Reported by the Convention and Visitors Bureau and the Hotel Community.

(2) 1988-1992 — The estimated dollar value is calculated in accordance with a Laventhol and Horwath study for the International Association of Convention and Visitors Bureau which reflected an average expenditure of $719.77 generated per convention and trade show delegate.

(3) Calendar year 1993 was an exception to the growth trend due to three major conventions requiring approximately 115,500 room nights. Adjusting the 1993 room nights by 115,500 would result in a yearly total of 861,732 room nights.

(4) 1993-1998 — The estimated dollar value is calculated in accordance with a 1993 Deloitte and Touche study for the International Association of Convention and Visitors Bureau which reflected the average expenditure of $818.82 generated per convention and trade show delegate.

(5) The decline in Convention Center Activity is a result of decreased bookings during construction of the Convention Center expansion. Construction for the new facility has been completed. Construction activity on the previous existing Convention Center facilities has commenced. The Convention Center facilities will begin the transition back into the existing building in early 2001. Currently, booking pace activity shows a substantial increase in Convention Center bookings for fiscal year 2001.

Source: City of San Antonio Convention and Visitors Bureau.

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Construction Activity

Set forth below is a table showing building permits issued for construction within the City at December 31, for the years indicated:

Calendar	Residential Single Family		Residential Multi-Family[1]		Other[2]	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
1988	985	$46,256,306	9	$1,028,740	13,188	$391,715,611
1989	939	46,793,254	6	1,066,304	11,821	285,041,990
1990	1,061	56,435,954	7	806,826	12,047	314,136,324
1991	1,227	67,352,963	8	690,700	11,920	395,904,712
1992	2,157	132,642,497	20	10,183,789	12,255	419,839,275
1993	2,858	194,055,482	91	34,177,025	12,151	388,857,924
1994	3,987	262,104,759	166	68,097,513	13,302	421,324,638
1995	3,925	237,796,446	353	63,396,919	11,588	420,001,031
1996	4,306	261,540,367	171	64,282,630	9,055	578,225,607
1997	4,240	257,052,585	155	42,859,473	8,170	717,988,779
1998	5,630	363,747,169	85	23,194,475	8,193	892,766,648
1999	5,771	398,432,375	404	157,702,704	9,870	911,543,958

(1) Includes two-family duplex projects.
(2) Includes commercial building permits, commercial additions, improvements and extensions, and certain residential improvements.

Source: City of San Antonio, Building Inspections Department.

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Firms Employing 500 or More in the San Antonio Metropolitan Area
(Includes Bexar, Comal, Guadalupe and Wilson Counties)

Manufacturing

Firm	Product/Service
Alamo Concrete Products	Concrete Products
B. J. Tidwell Industries, Inc.	Kitchen/Bath Cabinets
Bausch & Lomb, Inc.	Eyeware
Clarke American	Commercial Printing
Coca Cola/Dr. Pepper Bottling	Soft Drink Manufacturer
DPT Laboratories, Inc.	Pharmaceuticals and Cosmetics
Fairchild Aircraft	Aircraft Manufacturer
Friedrich Air Conditioning Co., Inc.	Air Conditioning Equipment
L & H Packing Company	Meat Processing
Lancer Corporation	Drink Dispenser Machines
Levi Strauss & Company	Clothing
Kinetic Concepts, Inc.	Medical Products
Martin Marietta Materials Southwest	Crushed Limestone
Miller Curtain Company	Curtain & Drapes
Mission Valley Textiles, Inc.	Textile Manufacturing
Motorola, Inc.	Electronics
Pioneer Flour Mills	Flour & Food Products
Radio Cap Company, Inc.	Baseball Caps
San Antonio Express-News	Newspaper
San Antonio Shoe Makers, Inc.	Shoes
Sony Semiconductor Co.	Integrated Circuits
Structural Metals, Inc.	Steel Manufacturing
Ultramar Diamond Shamrock	Petroleum Refining & Marketing
UNC Lear Services	Aircraft Repair Services
VLSI Technology, Inc.	Semi-Conductors

Service

Firm	Product/Service
3D/International	Design and Construction Mgmt.
Act III Santikos Theaters	Motion Picture Exhibitor
Administaff, Inc.	Temporary Personnel Service
Advanced Temporaries, Inc.	Temporary Personnel Service
Advantage Rent-A-Car	Automobile Rental
Alamo Community College District	Community College
Alamo Heights I. S. D.	Public School District
Audie L. Murphy Memorial Veterans Hospital.	Hospital
Baptist Memorial Hospital System	Hospital
Brooke Army Medical Center	Hospital
Burns International Security	Guard/Security Service
Citicorp	Toll Free Customer Service
Comal I.S.D.	Public School District
East Central I. S. D.	Public School District
Edgewood I. S. D.	Public School District
Express Personnel Services	Temporary Personnel Service
Fiesta Texas	Entertainment/Amusement Park
Freeman Decorating Company	Convention/Tradeshow Contractor
Girling Health Care, Inc.	Home Health Service
Goodwill Indus. of San Antonio	Vocational Rehabilitation Services
Guadalupe Valley Hospital	Hospital
Harlandale I. S. D.	Public School District
Holt Company of Texas	Construction Equipment
Home Nursing & Therapy Svcs.	Home Health Agency
Hospital Klean of Texas, Inc.	Cleaning Service
Humana Customer Service Center	Customer Service and Claim Center
Hyatt Regency Hill Country Resort	Hotel
Hyatt Regency San Antonio	Private College
Incarnate Word College	Public School District
Initial Security	Security Guards/Patrol Services
Initial Staffing Services	Temporary Personnel Service
Judson Independent School District	Public School District
Living Centers of America	Long-term Healthcare
Marriott Rivercenter Hotel	Hotel
McKenna Memorial Hospital	Health Care
Medical Team, Inc.	Home Health Service
Methodist Childrens Hospital	Children's Hospital
Methodist Healthcare System	Hospital
Metropolitan Hospital	Hospital
Morningside Ministries, Inc.	Residential Care Facility
New Braunfels I.S.D.	Public School District
Northeast I. S. D.	Public School District
Northside I. S. D.	Public School District
Olsten Staffing Services	Employment Services
Our Lady of the Lake University	Private University
Outreach Health Services	Home Health Service
Parent/Child, Inc.	Child Development Center
Peakload Temporary Services	Temporary Personnel Service
Phoenix Staffing & Consultant Srvc.	Temporary Personnel Service
Phone Power, Inc.	Telemarketing Service
Pinkerton, Inc.	Guard/Security Service
River City Temporary Services	Temporary Personnel Service
San Antonio College	Community College
San Antonio Community Hospital	Hospital and Health Care Services
San Antonio I. S. D.	Public School District
San Antonio State Hospital	Hospital
San Antonio State School	Residential Care Facility
Santa Rosa Health Care Corporation	Hospital
Schertz-Cibolo-UC I. S. D.	Public School District
Schlitterbahn Water Park	Water Recreation Park
Sea World of Texas, Inc.	Marine Life Entertainment Park
Sears Teleservice Center	Customer Service
Sequin I.S.D.	Public School District
South San Antonio I. S. D.	Public School District
Southside I. S. D.	Public School District
Southwest General Hospital	Hospital
Southwest I. S. D.	Public School District
Southwest Research Institute	Research & Development
St. Philip's College	Community College
St. Mary's University	Private University
Staffing Solutions	Staffing Services
Strasburger & Price, LLP	Legal Services
TANDEM/Labor World of Southern TX	Industrial Staffing
TeleService Resources	Customer Service Center
The Center for Health Care Services	Health Care
The Psychological Corporation	Academic Credential Testing
The RK Group	Catering Service
Todays Temporary	Temporary Clerical Service
Trinity University	Private University
University Health System	Hospital
University of Texas at San Antonio	Public University
University of Texas Health Science Center	Medical University
University of The Incarnate Word	Private University
VIP Temporaries	Temporary Personnel Service
Visiting Nurse Association	Home Health Service
Westaff	Temporary Employee Services
West Telemarketing Corporation	Telemarketing Service
YMCA of San Antonio	Youth Development

Retail

Firm	Product/Service	Firm	Product/Service
Aaron Rents & Sells	Office and Residential Furniture	McDonalds-Haljohn, Inc.	Fast Food Restaurant
Albertson's Inc.	Supermarket	Mi Tierra Cafe & Bakery	Restaurant
AFC Enterprises, Inc.	Fast Food Restaurant	QVC San Antonio, Inc.	Telecommunications
Bill Miller Bar-B-Que	Fast Food Restaurant	R & L Foods (Taco Bell)	Fast Food Restaurant
Burger King, Inc.	Fast Food Restaurant	Red Line Burgers, Inc.	Fast Food Restaurant
Caremark Prescription Services	Mail Order Pharmacy	Sears, Roebuck & Company	Department Store
Curtis C. Gunn, Inc.	Automobile Dealership	Sun Harvest Farms, Inc.	Natural Food Store
Den-Tex West, Inc. (Denny's)	Restaurant	Super S Foods	Supermarket
Dillard's Department Stores	Department Store	Taco Cabana, Inc.	Restaurant
Frontier Enterprises	Restaurant	Target Stores	Department Store
H.E.B. Grocery Company	Supermarket	The Olive Garden	Restaurant
Handy Andy, Inc.	Supermarket	United Fashions of Texas	Women's Clothing
J. C. Penney Company, Inc.	Department Store	Veladi Ranch Steak House, Inc.	Restaurant
K-Mart Stores, Inc.	Department Store	Wal-Mart, Inc.	Department Store
Little Caesars of San Antonio	Fast Food Restaurant	Wendy's of San Antonio	Fast Food Restaurant
Luby's Cafeterias, Inc.	Cafeteria	Whataburger of Alice, Inc.	Fast Food Restaurant

Transportation, Communications, Utilities

Firm	Product/Service	Firm	Product/Service
American Telephone & Telegraph	Long Distance Telecommunications	Southwest Airlines Reservations	Flight Reservations
City Public Service	Natural Gas & Electric Service	Southwestern Bell Telephone	Telecommunications
MCI WorldCom	Long Distance Carrier	U.S. Postal Service	Mail Delivery
Paragon Cable	Cable Television Service	United Parcel Service	Parcel Delivery
Qwest Communications	Telecommunications	Valero Energy Corporation	Gas Transmissions
San Antonio Water System	Water/Sewer Service	VIA Metropolitan Transit	Public Transportation
SBC Communications, Inc.	Telecommunications Headquarters		

Finance, Insurance, Real Estate

Firm	Product/Service	Firm	Product/Service
American Funds Service Company	Mutual Funds & Investments	Norwest Bank Texas, N.A.	Financial Institution
Broadway Bancshares, Inc.	Financial Institution	San Antonio Federal Credit Union	Credit Union
Frost National Bank	Financial Institution	Security Service Federal Credit Union	Credit Union
Homeside Lending, Inc.	Financial Institution	Titan Holdings, Inc.	Insurance Services
Humana Health Care Plans	Medical Insurance	USAA	Insurance/Financial Services
NationsBank of Texas, N.A	Financial Institution	World Savings	Savings & Loan

Government

Firm	Product/Service	Firm	Product/Service
Bexar County	County Government	Kelly Air Force Base	Military Installation
Brooks Air Force Base	Military Installation	Lackland Air Force Base	Military Installation
Center for Health Care Services	Health Care	Randolph Air Force Base	Military Installation
City of San Antonio	City Government	San Antonio Housing Authority	Public Housing Assistance
Education Service Center	Data Processing	Texas Dept. of Human Svcs.	Social Services
Fort Sam Houston	Military Installation	Texas Dept. of Transportation	Road Maintenance

Construction

Firm	Product/Service	Firm	Product/Service
CCC Group, Inc.	General Contractor	H.B. Zachry	General Contractor
Design Electric	Electrical Contractor	Kaufmann and Broad	Developer of Single Family Housing

Wholesale

Firm	Product/Service	Firm	Product/Service
Lone Star Growers, LP	Producer of Nursery Plants	Tristar Corporation	Fragrance and Cosmetics
Straus-Frank Company	Automotive Parts	Tyson Food, Inc.	Food Service

Source: *Greater San Antonio Chamber of Commerce Largest Employer's Directory.*

Education

There are 16 independent school districts in Bexar County with 222 elementary schools, 64 middle schools, and 40 high schools. Generally, students attend school in the districts in which they reside. There is no busing between school districts in effect. In addition, San Antonio has 89 accredited private and parochial schools at all education levels, 77 alternative instructional schools and one business career institute. Excluding business and professional schools, higher education facilities in the City include five accredited universities and four community colleges with a combined enrollment of 70,406 students for the fall 1999 enrollment.

Employment Statistics

The following table indicates the total civilian employment in the San Antonio MSA for the period December 1999, as compared to the prior periods of November 1999 and December 1998.

	December 1999[1]	November 1999[2]	December 1998
Civilian Labor Force	781,500	781,300	766,300
Total Unemployment	23,900	24,300	22,600
Unemployment Rate	3.1%	3.1%	2.9%
Total Employment	757,600	757,000	743,700

The following table shows certain nonagricultural wage and salary employment in the San Antonio MSA for December 1999, November 1999, and December 1998.

	December 1999[1]	November 1999[2]	December 1998
Mining	1,800	1,800	1,800
Construction	37,400	37,500	36,200
Manufacturing	53,200	53,000	52,700
Transportation, Communication, and Utilities	32,700	32,500	32,700
Trade	173,700	171,600	169,800
Finance, Insurance, and Real Estate	48,100	48,000	46,300
Services and Miscellaneous	234,500	235,100	218,700
Federal Government	32,000	32,000	35,800
State Government	14,800	14,800	14,700
Local Government	87,900	87,700	85,700
Total	716,100	714,000	694,400

(1) Estimates for December 1999 are preliminary.
(2) Revised.

Source: Texas Workforce Commission, Labor Market Review, December 1999.

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Comparative Annual Statistical Data
Growth Indices

Calendar Year	Telephone Customers[1]	Electric Customers[2]	Gas Customers[2]	Water Customers[3]
1989	573,415	466,478	284,324	236,709
1990	589,195	469,226	284,671	239,891
1991	610,393	476,412	287,325	243,129
1992	635,058	485,345	290,497	247,365
1993	661,711	493,763	292,111	253,902
1994	689,490	504,810	295,092	257,733
1995	724,033	516,679	297,654	266,308
1996	764,891	525,085	298,604	269,405
1997	805,340	528,739	300,185	273,276
1998	841,037	548,468	301,842	270,897
1999	861,180[4]	561,373[5]	302,839[5]	285,122[6]

(1) Southwestern Bell Telephone Company only.
(2) CPS only.
(3) SAWS only.
(4) At September 30, 1999.
(5) At November 30, 1999.
(6) At October 31, 1999.

Source: Greater San Antonio Chamber of Commerce – Economic Trends; Southwestern Bell Telephone Company; City Public Service; San Antonio Water System.

Municipal Sales Tax Collections – Ten Largest Texas Cities

	Calendar Year					
	1999	1998	1997	1996	1995	1994
Amarillo	$ 40,781,524	$ 39,276,557	$ 37,611,600	$ 36,482,389	$ 34,623,582	$ 33,161,856
Arlington	30,092,585	57,095,137	54,923,300	52,635,802	48,575,308	48,029,243
Austin	104,915,700	94,261,113	85,272,735	80,836,720	77,326,159	73,522,342
Dallas	198,740,061	189,502,534	173,592,271	167,202,798	151,118,598	145,916,177
El Paso	43,603,400	41,414,498	39,097,126	38,749,261	37,832,614	38,674,734
Fort Worth	68,142,426	64,116,910	57,778,025	54,740,626	51,309,934	48,853,605
Houston	308,508,700	296,149,171	270,268,332	254,435,833	239,061,186	229,471,358
Irving	42,083,049	37,198,548	33,805,687	31,270,145	28,802,419	28,328,325
Plano	40,483,049	36,058,044	32,420,190	31,685,371	27,725,216	24,774,517
SAN ANTONIO	126,060,252	117,583,252	108,526,967	103,042,623	96,000,267	91,874,292

Source: State Comptroller's Office.

San Antonio Electric And Gas Systems

History and Management

The City acquired its gas and electric utilities in 1942 from the American Light and Traction Company which had been ordered by the federal government to sell properties under provisions of the Holding Company Act of 1935. The total funds required for the purchase were raised by the sale of $33,950,000 first mortgage revenue bonds. The last serial of these Old Series Bonds matured February 1, 1997. The bond ordinances securing the currently outstanding CPS New Series Bonds establish management requirements and provide that the complete management and control of the electric and gas systems (the "Systems" in this section) is vested in a Board of Trustees consisting of five citizens of the United States of America permanently residing in Bexar County, Texas, known as the "City Public Service Board of San Antonio, Texas" ("CPS Board"). The Mayor of the City of San Antonio, Texas is a permanent ex-officio member of the CPS Board. The Mayor of the City is a voting member of the CPS Board, represents the City Council, and is charged with the duty and responsibility of keeping the City Council fully advised and informed at all times of any actions, deliberations, and decisions of the CPS Board and its conduct of the management of the Systems.

In an effort to provide for a balanced geographic representation of the City on the CPS Board without altering in any way the management and control provisions of respective bond ordinances authorizing currently outstanding Electric and Gas Systems Revenue Bonds, by Ordinance numbered 87009, passed and adopted on November 20, 1997, the City Council designated currently sitting members of the CPS Board as "representatives" of one of four geographic quadrants of the City - Northeast, Southeast, Southwest, and Northwest. Ordinance 87009 further provided that CPS Board Trustees thereafter selected to fill the position of any currently sitting Trustee must be a resident of the respective quadrant of the City whose position on the CPS Board is being filled.

The CPS Board is vested with all of the powers of the City with respect to the management and operation of the Systems and the expenditure and application of the revenues therefrom including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the bond ordinances, except regarding rates and issuance of bonds, notes, or commercial paper. The CPS Board has full power and authority to make rules and regulations governing the furnishing of electric and gas service and full authority with reference to making extensions, improvements, and additions to the Systems, and to adopt rules for the orderly handling of the CPS Board's affairs. It is empowered to appoint and employ all officers and employees, and the CPS Board must obtain and keep in force a "blanket" type employees' fidelity and indemnity bond covering losses in the amount of not less than $100,000.

In 1997, CPS established a 15 member Citizens Advisory Committee (the "CAC") to enhance its relationship with the community and to address the City Council's goals regarding broader community involvement. The primary goal of the CAC is to provide input from the community for use by the CPS Board and staff. The CAC represents a broad range of customer groups in order to identify their concerns and articulate their issues. CAC members advise CPS about community issues and concerns as to its Systems and on all aspects of CPS business to ensure added value to the City and community.

Service Area and Rates

The CPS electric system serves a territory consisting of substantially all of Bexar County and small portions of the adjacent counties of Comal, Guadalupe, Atascosa, Medina, Bandera, Wilson and Kendall. Certification of this retail service area has been approved by the Public Utility Commission of Texas ("PUCT"). In addition to the area served at retail rates, electricity is sold at wholesale rates for resale to the City of Floresville Electric Light & Power System, the City of Hondo Utilities and the Castroville Utility System. The CPS gas system serves the City of San Antonio and its environs, although there is no certificated CPS gas service area. In Texas, there is no legislative provision or procedure for certificated gas service areas.

The San Antonio City Council exercises original electric and gas rate regulatory jurisdiction over the CPS retail service areas, with appellate jurisdiction in the PUCT and Texas Railroad Commission for electric and gas rates, respectively, for areas outside the City. Pursuant to 1995 amendments to the Texas Public Utility Regulatory Act ("PURA"), municipally-owned utilities, including CPS, became subject to certain regulatory jurisdiction of the PUCT relating to transmission of wholesale energy. Under the PURA, wholesale transmission services are to be provided by electric utilities in the Electric Reliability Council of Texas, including CPS, to qualifying cogenerators, exempt wholesale generators, and power marketers, as well as other utilities. (See "San Antonio Electric and Gas Systems – Service Area and Rates" in Appendix A.) The PUCT established terms, conditions, costs of services, and rates for this transmission access in 1997. CPS contested the order establishing CPS' transmission cost of service by filing an action in state district court seeking judicial review of the agency's determinations on various grounds, including the contentions that the PUCT lacks original transmission rate-setting jurisdiction and that the PUCT failed to comply with the comparability criteria of the PURA. In addition, because the PUCT's postage stamp pricing method for wheeling creates a significant adverse financial impact on CPS, as well as other utility owners of large compact urban transmission systems, CPS filed a suit, along with Houston Lighting & Power Company, now Reliant Energy HL&P, and joined by Texas Utilities Electric Company, in state district court seeking a declaration that the PUCT's pricing method is invalid and beyond the PUCT's authority on various grounds. In December 1997, the district court ruled in favor of the PUCT, effectively upholding the validity of the PUCT's transmission rules. CPS and Reliant Energy HL&P subsequently appealed this decision, and on August 26, 1999, the Texas Court of Appeals, Third District, in Austin rendered the judgment that the pricing method is invalid. That decision is pending on a rehearing and may be subject to further appeal to the Texas Supreme Court. Senate Bill 7, discussed below, provides the PUCT with new authority to promulgate a 100 percent "postage stamp rate" for pricing wholesale transmission. The total cost to CPS of this new pricing structure approximates $22 million for fiscal year 2001. (See "Electric Utility Deregulation in Texas" herein.)

Electric Utility Deregulation in Texas

Senate Bill 7, a comprehensive electric industry restructuring bill, was passed by the Texas Legislature during its 1999 session and signed by the Governor on June 18, 1999. In general, the bill will require retail competition for electric energy in areas of the state served by investor-owned electric utilities on and after January 1, 2002. Investor-owned utilities are required to structurally unbundle their regulated utility activities from their customer energy services by January 1, 2000, and their current retail rates are frozen until January 1, 2002. For the five years following January 1, 2001, investor-owned utilities must make available a rate discount of six percent from 1999 rates, to residential and small commercial customers, and may not charge different rates until the earlier of three years or the time at least 40 percent of the utility's customers are being served by other suppliers. Municipally-owned electric utilities like the Systems, through a decision of the city council or utility governing board, may but need not make an affirmative decision to participate in retail competition at any time after January 1, 2002. If the decision is made by the governing body of a municipal utility to participate in retail competition, after that decision, customers of the utility are free to choose other retail electric suppliers, including power marketers, retail electric provider affiliates of investor-owned utilities, the municipal utility, or others. Likewise, after a decision to participate in retail competition, the municipal utility is itself free to compete for new retail customers in areas outside its boundaries where competition applies. If a municipal utility chooses to participate in retail competition, it continues to retain local control over its energy rates, and over the distribution access rates that it charges to other competitors for use of its distribution facilities, so long as they are nondiscriminatory and comparable to the rates charged by the municipality to itself or its affiliates. Municipal utilities have the discretion to continue to be the sole providers of metering services, and may designate themselves or another entity as the "provider of last resort" for customers who cannot obtain a power source. A municipal utility that decides to participate in retail competition will be subject to a PUCT-approved code of conduct governing affiliate relationships and anticompetitive practices. The PUCT will establish the terms and conditions, but not the rates, for open access by other suppliers to the transmission and distribution facilities of municipal electric utilities electing to compete at retail. If a municipal electric utility decides to participate in retail competition, six months prior to the advent of competition, its customers are subject to being charged a fee of 50 cents per megawatt hour, which the PUCT may increase to 65 cents per megawatt hour under certain circumstances, as a contribution to a state-wide fund targeted at property tax replacement, low-income programs, and customer education. The PUCT is required to reduce the fee imposed on a municipal electric utility to provide credit for local low-income programs and local programs that educate customers about the competitive market.

Among other provisions, Senate Bill 7 provides that nothing in the act or in any rule adopted under it may impair any contracts, covenants, or obligations between municipalities and bondholders of revenue bonds issued by municipalities, and that nothing in the act may impair the tax-exempt status of municipalities or compel them to use facilities in a manner that violates any bond covenants or other tax-exemption restrictions. The bill also improves the competitive position of municipal utilities by allowing local governing bodies, whether or not they implement retail choice, to adopt alternative procurement processes under which less restrictive competitive bidding requirements can apply, and to implement more flexible policies for the sale and exchange of real estate. Also, matters affecting the competitiveness of municipal electric utilities are made exempt from disclosure under the open meetings and open records acts, and the right of municipal utilities to enter into risk management and hedging contracts for fuel and energy is clarified.

Air Emission Regulation

Senate Bill 7, discussed above under Electric Utility Deregulation, contains specified emissions reduction requirements for certain older electric generating units which would otherwise be exempt from the Texas Natural Resources Conservation Commission's ("TNRCC's") permitting program by virtue of "grandfathered" status. Under the bill, annual emissions of nitrogen oxides ("NO_x") from such units are to be reduced by 50 percent from

1997 levels, beginning May 1, 2003. The requirements may be met through an emission allowances trading program to be established and administered by the TNRCC on a regional basis. Owners of affected facilities are to apply for permits for the emission of these contaminants by September 1, 2000 from the TNRCC, and the bill authorizes the agency to levy administrative penalties for facilities that exceed required emission allowances. Five of CPS' generating stations, comprising 12 gas-fired units, have grandfathered status and will be affected by the program. The TNRCC is likewise in the process of implementing more restrictive NO_x emission limits for previously permitted electric generating plants in areas including Bexar County that will require 50% reduction from 1997 emission levels. The total of NO_x emissions to be reduced for CPS facilities under these two TNRCC emission programs is expected to be approximately 11,000 tons per year (based on current emission levels) beginning in 2003, an amount which exceeds the NO_x reductions committed to by CPS as part of its long-standing voluntary NO_x reduction program. The emissions limitations required by the two programs, but primarily by the second program, will entail additional expenditures by CPS for emission control technology currently estimated at $85 million.

Proposed Federal Deregulation Legislation and the Administration's Proposed Plan

Many bills have been introduced into the United States House of Representatives and the United States Senate to deregulate the electric utility industry at the federal level. In general, many of the bills provide for open competition in the furnishing of electricity to all retail customers (i.e., retail wheeling). It is not clear whether adequate support will materialize in both houses sufficient to pass consensus legislation in 2000, or the extent to which any such legislation will affect Texas electric industry restructuring law.

New Federal Tax Regulations

Temporary and proposed regulations were published in the Federal Register by the Internal Revenue Service on January 22, 1998. These regulations, which are effective through January 21, 2001, interpret certain provisions of the Internal Revenue Code that relate to the use of tax-exempt obligations to provide output facilities, including electric and gas generation, transmission and distribution facilities. These regulations generally apply to obligations, other than certain refunding obligations, issued after February 22, 1998 and to certain requirements contracts entered into, extended or amended after February 22, 1998. These regulations are intended to address, at least in part, the deregulation of the electric power industry as initiated by the Energy Policy Act of 1992. For example, these regulations generally provide that an action will not adversely affect the tax-exempt status of interest on outstanding transmission bonds if the action is taken to implement the offering of non-discriminatory open access tariffs (including transferring control of the transmission facilities financed with tax-exempt bonds to an independent system operator) for the use of transmission facilities in a manner consistent with rules promulgated by either the FERC under sections 205 or 206 of the Federal Power Act or a state regulatory authority under comparable provisions of state law pursuant to a plan approved by the FERC. This open access exception, however, does not apply to "new money" transmission bonds nor to bonds issued after July 9, 1996 (the effective date of FERC's Order No. 888) for any advance refunding, or any current refunding that extends the weighted average maturity of transmission bonds. CPS is currently assessing the impact of these regulations on its business operations. The Joint Committee on Taxation of the Congress of the United States has questioned the authority for some of the regulations and other regulations regarding output facilities have been reserved. CPS cannot predict how these regulations, or regulations expected to be issued in the future, will ultimately affect its business and financing plans.

Response to Competition

Strategic Planning Initiatives. CPS is currently implementing a comprehensive corporate strategic plan that is designed to help make CPS a higher performing and more competitive utility that delivers value to customers and the City. The plan includes restructuring and unbundling of rates, formulating a wholesale and retail marketing plan, reorganizing CPS along functional lines, and maintaining a Debt Management Program as further discussed below. Additionally, these efforts will also have the ongoing support of CPS' Director of Governmental Affairs, located in Austin, Texas, whose primary role is to review proposed federal and state legislative actions affecting the electric industry and to represent CPS' interests therein.

CPS Debt and Asset Management Program. CPS has developed a debt and asset management program (the "Debt Management Program") which is designed to lower the debt component of energy costs, maximize the effective use of cash and cash equivalent assets, and enhance its financial flexibility into the future. An important part of the Debt Management Program is debt restructuring by the increased use of variable rate debt and interest rate swaps where feasible. It is anticipated, however, that the net variable rate exposure of CPS will not exceed 20% of its total debt structure. The program also focuses on the use of unencumbered cash and available cash flow to redeem debt ahead of scheduled maturities as a means of reducing the outstanding debt. The Debt Management Program is designed to result in lower interest costs, additional funds for strategic initiatives, and increased net cash flow.

CPS Valuation Study. In early 1997, CPS contracted with Resource Management International, Inc. ("RMI") to conduct a marketing study. CPS subsequently added to this contract an assessment of the value of CPS' assets, as well as the benefits of municipal ownership of CPS to the City and its electric and gas ratepayers. The study was presented to the CPS Board on November 24, 1997, and forwarded to the City Council for its review on December 10, 1997. The study concluded that the City had received substantial benefits from the ownership of CPS and, based upon CPS' relative position in the marketplace, CPS is expected to continue to offer the City significant benefits in the future. In addition, the study concluded that ratepayers had also received substantial benefits through lower rates.

City's Deregulation Study. The City retained R.W. Beck and Associates in September 1998 to analyze the options available to the City, the City Council, and the CPS Board and to provide all relevant information in the event that the electric energy market is deregulated. The study is in progress and is anticipated to be completed by February 2000. CPS will pay up to $250,000 of the estimated cost of $400,000 of the study.

With the results of the debt restructuring accomplished by CPS and the analysis of both the City's study and the CPS valuation study, the City will be in a position to respond to electric deregulation legislation to ensure stability in its electric rate structure and utility revenues by having the advantage of adequate planning and the ability to make informed decisions.

The ultimate effects of these and other developments in the restructuring of the electric industry, including possible state or national legislation, cannot be predicted.

Status of Wholesale Competition at CPS. Effective January 1, 1997, the transmission grid in Texas was opened to wholesale competition by virtue of PUCT regulations implementing 1995 Texas legislation. Wholesale customers include cities and towns buying power for resale and as a result of the new regulations the transmission grid is available on an open access basis to any power provider to supply these loads. CPS has historically supplied wholesale power to three city-owned utilities: the Floresville Electric Light & Power System, the City of Hondo Utilities, and the Castroville Utility System. In 1995, CPS signed a 20-year agreement with the Floresville Electric Light & Power System. In August 1997, Hondo requested proposals for its long-term future power supply needs, ultimately deciding to continue its power supply relationship with CPS, which signed a 10-year agreement with the City of Hondo. In 1998, CPS signed a 10-year agreement with the Castroville Utility System. Additionally, CPS continues to compete in other aspects of the wholesale market.

Acquisition of Military Base Facilities. In July 1999, CPS and the Greater Kelly Development Corporation announced a Memorandum of Understanding (MOU) between the two organizations for the purchase and future operation by CPS of the gas and electric systems on Kelly Air Force Base. The MOU outlines an approach for the payments to be made by CPS to GKDC for transfer of the systems. The concept includes an initial payment of $6.5 million, followed by a payment by CPS in each of the next 20 years. The payments would be based upon the revenue generated by gas and electric sales at both realigned and commercialized Kelly, compared to an estimate of expected growth made by a third-party appraiser. Negotiations on the terms and conditions of the ownership transfer are in process between the Air Force, GKDC and CPS, with a target for closing by the end of 1999. In addition, CPS is negotiating with other San Antonio military bases to purchase their gas and electric facilities. CPS is committed to ensuring continuous, reliable, and cost-effective supplies of gas and electricity to these bases.

Electric System

Generating System. The electric generating system operated by CPS consists of 15 generating units, three of which are coal-fired and 12 of which are gas-fired. In May 1998, the CPS Board approved the recommendation by staff that CPS enter into a contract for construction of the new combined-cycle gas-fueled 512 MW power plant (the "Arthur von Rosenberg Power Plant") to be completed by the year 2000, at a contract cost of $166,500,000. The Arthur von Rosenberg Plant is currently under construction and is located adjacent to the V. H. Braunig Plant, which already has much of the needed infrastructure.

CPS also has a 28% ownership interest in two nuclear generating units called the South Texas Project ("STP"). On July 1, 1973, CPS agreed to participate in the STP, which involved the construction of two 1,250 MW units in Matagorda County on a 12,000-acre site near the Texas Gulf Coast approximately 180 miles from the City. Participants in the STP and their shares therein are as follows:

Participants	% Ownership	MW
Reliant Energy HL&P	30.8	770
City Public Service	28.0	700
Central Power and Light Company	25.2	630
City of Austin	16.0	400
TOTAL	100.0	2,500

Full power operating licenses were issued to STP by the Nuclear Regulatory Commission ("NRC") on March 22, 1988, for Unit 1 and March 28, 1989, for Unit 2. On August 25, 1988, Unit 1 went into commercial operation, and Unit 2 went into commercial operation on June 19, 1989. During CPS' fiscal year 1997-1998, the participants in the STP created a non-profit Texas corporation (the "STP Nuclear Operating Company") financed and controlled by the owners to assume maintenance and operation of STP in place of Reliant Energy HL&P. All regulatory approvals were received, and this change became final in November 1997. The nuclear units provided 33% of the system load during CPS' fiscal year 1998-1999, and 31% of the system load for the twelve-month period ended November 30, 1999.

Joint Operating Agreement. CPS and Reliant Energy HL&P entered into an agreement effective July 1, 1996, which resolved CPS' claims against Reliant Energy HL&P concerning the shutdown of the STP nuclear plant during CPS' fiscal year 1993-94 and cost overruns during the STP construction period. The total amount of settlement was for $225 million.

CPS received the initial $75 million of the settlement in cash proceeds during the summer of 1996, of which $11 million was used to reimburse CPS for litigation expenses incurred. The remaining $64 million was directly refunded to the ratepayers during September 1996.

The settlement also includes an agreement to jointly dispatch CPS' and Reliant Energy HL&P's generating plants (other than STP) to take advantage of the most efficient plants and favorable fuel prices of each utility. This joint operations agreement must result in at least $10 million in cumulative savings per year to CPS, or Reliant Energy HL&P is obligated to compensate CPS for the deficit in cash. A similar payment will be made by Reliant Energy HL&P to ensure benefits to CPS of $150 million in savings during the ten-year term of the joint dispatching.

Transmission System. CPS maintains a transmission line network for the movement of large blocks of power from the generating stations to the various parts of the service area and to or from neighboring utilities as required. This network is composed of high voltage lines with transformers and switching stations to provide the necessary flexibility in the movement of bulk power. The system is integrated with approximately 80 other utilities, municipalities, and cooperatives in Texas and currently participates in the Texas grid, which is managed by the Electric Reliability Council of Texas Independent System Operator.

Distribution System. The distribution system is supplied by 78 substations strategically located on the high voltage 138/345 KV transmission system. There are approximately 6,120 circuit miles (3-phase equivalent) of overhead distribution lines included in the system. These overhead lines also carry secondary circuits and street lighting circuits. The underground distribution system consists of approximately 150 miles of three-phase duct lines and

2,489 miles of single-phase underground residential distribution lines. Many of the residential subdivisions added in recent years are served by underground distribution systems. Presently, there are approximately 70,914 street light units in service, with the vast majority of these being modern, high intensity units.

Gas System

Gas Delivery. CPS has firm gas supply and gas transmission contracts until July 1, 2002, with Reata, a gas marketing affiliate of Pacific Gas and Electric Gas Transmission-Texas ("PG&E"), formerly an affiliate of Valero Natural Gas Company ("Valero"), which was purchased by PG&E in 1997. PG&E supplies the total CPS gas requirements through three major gas delivery stations, two meter stations which serve the O. W. Sommers and V. H. Braunig Power Plants, and several minor taps on PG&E pipelines just outside of San Antonio. The CPS network of transmission facilities connected to PG&E will be expanded to serve the Arthur von Rosenberg Power Plant, currently under construction. Additionally, the Oasis Pipeline delivery station, on a common carrier pipeline system, provides alternate gas delivery access and will remain available for CPS' use if required. All major delivery stations are owned by CPS and remotely monitored by the CPS Gas and Electric Operations ("GEO") control center located near downtown San Antonio.

Transmission System. CPS owns and operates a natural gas transmission line called the North Gate Pipeline. Construction of the 24-inch steel pipeline was completed in 1988. The pipeline extends 17.2 miles from southern Comal County into northern Bexar County, Texas. The line is coated and cathodically protected to mitigate corrosion. The pipeline can be supplied natural gas through two major delivery stations which receive gas through the 36-inch Oasis Pipeline, and from PG&E through the 30-inch PG&E West Texas Pipeline. At each delivery station, the gas is metered and odorized, and the gas pressure or flow rate is remotely controlled by CPS' GEO. The gas is transported through the transmission pipeline to a major gas pressure control station in northern San Antonio where the gas pressure is reduced before it is fed into the CPS Outer Loop Supply Line. In October 1998, the CPS Board approved the construction of the South Gate Pipeline Project and the acquisition of fee simple title to and easement rights over, under, and across certain properties located in Bexar, Wilson, and Karnes Counties for this project.

Outer Loop Supply Line. CPS owns and operates 50 miles of 24 and 30-inch diameter steel pipelines which form the Outer Loop Supply Line. The Outer Loop Supply Line is supplied gas through two major delivery stations located in southeast and southwest San Antonio, and from the North Gate Pipeline in northern San Antonio. Construction of the first Outer Loop Supply Line was completed in 1962. The line is coated and cathodically protected to mitigate corrosion. The maximum allowable operating pressure of the Outer Loop Supply Line is 170 pounds/square inch gauge ("psig"), and it supplies gas to approximately 50 pressure regulating stations which reduce the pressure to between 9 psig and 59 psig for the Distribution System and between 25 psig and 170 psig for the Supply Pressure System. GEO monitors the gas pressure and flow rates at many locations along the Outer Loop Supply Line, and several critical pressure regulating stations and isolation valves are remotely controlled by GEO.

Supply Pressure System. The CPS supply pressure system consists of a network of approximately 145 miles of steel mains which range in size from 4 to 20 inches. The majority of the supply pressure system was installed prior to 1960, and the entire system is coated and cathodically protected to mitigate corrosion. The supply pressure system operates at pressures between 25 psig and 170 psig, and it supplies gas to approximately 165 pressure regulating stations throughout the gas distribution system. GEO monitors the gas pressure and flow rates at many strategic locations within the supply pressure system, and most of the critical pressure regulating stations and isolation valves are remotely controlled by the GEO.

Distribution System. The gas distribution system consists of 4,234 miles of 2 to 16-inch steel mains and 1-1/4 to 6-inch high density polyethylene (plastic) mains. The Distribution System operates at pressures between 9 psig and 59 psig. All steel mains are coated and cathodically protected to mitigate corrosion. The vast majority of the gas services are connected directly to the distribution system, and the gas normally undergoes a final pressure reduction at the gas meter to achieve the required customer service pressure. Critical areas of the distribution system are remotely monitored by GEO.

CPS Year 2000 Computer Issues

Possible Impact of the Year 2000 Issue. The Year 2000 issue results from computer programs that do not differentiate between the 1900s and the 2000s because they were written using two digits rather than four to define the applicable year; accordingly, computer systems and equipment with embedded computer hardware that have time-sensitive calculations or functions may not properly recognize the year 2000 and other dates. Given the proliferation of computers and embedded computer processing devices or "microchips" throughout virtually all aspects of CPS' operations and in the utility industry in general, it is possible that despite all precautions taken, the Year 2000 computer issue will impact CPS' operation. This description of the Year 2000 issue and the following summary of CPS' efforts to address the issue are not intended to be a complete description of the issue or all aspects of CPS' response to the issue.

Interdependency With Other Entities. CPS, like other electric and gas utilities, is interdependent with other entities for services and supplies. CPS has implemented a Year 2000 strategy, as described below, and has taken steps to contact these entities and urge readiness; however, CPS cannot control the operations of other entities. Any particular manifestation of the Year 2000 issue by entities with which CPS does business or any material and adverse manifestation of Year 2000 issues in the economy as a whole could materially and adversely affect the ability of CPS to deliver electricity and natural gas to its customers and/or its financial condition.

CPS' Year 2000 Strategy. CPS has developed a corporate plan to address the five major areas of impact on CPS: Business Systems, Facilities Management, Power Generation, System Protection (transmission and distribution of gas and electric products), and Energy Management Systems. To validate its progress and help identify any areas that need greater attention, CPS contracted with CACI Federal, Inc., a recognized consulting firm, to perform a complete assessment of the Year 2000 efforts to verify that the overall effort is both effective and correctly focused.

Year 2000 Milestones. Work began June 1996. By December 1998, the inventory, assessment and prioritization phases of the Y2K project had been completed in all five major areas. On July 30, 1999, CPS declared that all its mission critical systems had been determined to be Y2K Ready. CPS also completed, as of July 30, 1999, development of mission critical contingency plans to address problems that may not be foreseen.

Certain Financial Impact. In fiscal years 1996-97 and 1997-98, CPS estimates it spent $820,000 and $1.1 million, respectively, on its Year 2000 efforts. In fiscal year 1998-99, it is estimated that CPS spent another $1.1 million in continuing its identification, assessment, remediation, and testing of Year 2000 issues. For fiscal year 1999-2000, CPS has budgeted $5.4 million to complete all required work to become Year 2000 Ready.

Recent Financing

On December 3, 1998, the City delivered $785,515,000 in City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, New Series 1998A and $99,615,000 in City of San Antonio, Texas Electric and Gas Systems Revenue Refunding Bonds, Taxable New Series 1998B for the benefit of the Systems.

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City Public Service Operating Statement

	Fiscal Year Ended January 31				
	1999	1998	1997	1996	1995
Operating Revenues					
Electric	$ 909,639,200	$ 844,848,103	$ 841,699,422	$ 777,565,727	$ 757,936,619
Gas	114,236,784	137,593,073	147,979,531	108,625,087	110,693,963
Total	$1,023,875,984	$ 173,970,809	$ 172,030,323	$ 171,904,070	$ 161,605,145
Operating Expense					
Electric(1)	$ 417,395,920	$ 396,619,185	$ 379,218,769	$ 374,467,546	$ 367,428,970
Gas	82,686,873	95,193,678	109,132,912	80,245,980	80,806,745
Total	$ 500,082,793	$ 491,812,863	$ 488,351,681	$ 454,713,526	$ 448,235,715
Net Operating Income	$ 523,793,191	$ 490,628,313	$ 501,327,272	$ 431,568,288	$ 420,394,867
Non-Operating Income (Net)	57,528,034	49,769,834	34,636,174	28,568,257	24,525,281
Available for Debt Service	$ 581,321,225	$ 540,389,147	$ 535,963,446	$ 460,136,545	$ 444,920,148
Other Deductions:					
Depreciation	(167,685,579)	(153,407,511)	(146,558,673)	(142,364,431)	(138,939,344)
Interest on Bonds, Other Interest and Debt Expense	(187,090,027)	(188,797,911)	(182,817,280)	(182,718,389)	(181,788,814)
Interest During Construction	5,716,202	4,743,278	3,653,558	2,818,057	3,072,157
Extraordinary Costs for Cash Defeasance of Debt	(24,899,770)				
Payments and Refunds to City	(144,554,899)	(138,543,232)	(137,587,585	(122,921,798)	(119,851,608)
Total Other Deductions:	(518,514,073)	(476,005,376)	(463,309,980)	(445,186,561)	(437,507,609)
Net Income	$ 62,807,152	$ 64,383,771	$ 72,653,466	$ 14,949,984	$ 7,712,539

(1) *Includes nuclear decommissioning expense for all 12- month periods shown, and includes the regulatory transition assessment beginning in FY 1998.*

Source: City of San Antonio, City Public Service

San Antonio Water System

Pursuant to Ordinance No. 75686 adopted April 30, 1992, the City of San Antonio (the "City") authorized the creation of the water system (the "System" in this section), a single unified system consisting of the City's existing waterworks (formerly the City Water Board), wastewater (formerly a department of the City), and water reuse systems, together with all future improvements and additions thereto, and all replacements thereof. In addition, such Ordinance No. 75686 authorized the City to incorporate into the System a storm water system and any other related system to the extent permitted by law. The System will not include any "Special Projects" which are declared by the City Council, upon the recommendation of the Board of Trustees of the System (defined below), not to be part of the System and are financed with obligations payable from sources other than ad valorem taxes, "Pledged Revenues" or "Net Revenues", or any water or water-related properties and facilities owned by the City as part of its electric and gas system. The management and control of the System has been vested in a board which consists of seven members (the "Board"). The Board consists of the Mayor and six persons appointed by the Council of the City. The initial terms of the members (other than the Mayor) are staggered, and thereafter, each member is appointed for a four-year term. No member may serve more than two terms.

In an effort to provide for a balanced geographic representation of the City on the Board without altering in any way the management and control provisions of respective ordinances authorizing currently outstanding Waterworks and Sewer System Revenue Bonds, by Ordinance No. 87010, passed and adopted November 20, 1997, the City Council designated four currently sitting members of the Board as "representatives" of one of four geographic quadrants and two currently sitting members as "representatives" of the north and south sides of the City.

Simultaneously with the creation of the System, the City sold $635,925,000 Water System Revenue Refunding Bonds, Series 1992 for the purpose of (i) enabling the City to consolidate its waterworks, wastewater and water reuse systems, and (ii) refunding all outstanding obligations of the City issued to finance improvements to and extensions of, and which are secured by and payable from a pledge of revenues derived from, the City's waterworks and wastewater systems, respectively, and certain other outstanding obligations relating to the City's waterworks and wastewater systems. The City believes that refunding the obligations and establishing the System in 1992 has helped to reduce costs and has allowed the City greater flexibility in meeting future financing requirements.

The System includes all water resources, properties, facilities, and plants owned, operated, and maintained by the City relating to: supply, storage, treatment, transmission, distribution of treated potable water, and chilled water and steam (the "waterworks system"); collection and treatment of wastewater (the "wastewater system"); and treatment and reuse of wastewater (the "recycled water system"). In addition to the water related utilities which the Board has under its control, on May 13, 1993, the City Council approved Ordinance No. 77949 which established initial responsibilities over the storm water program with the Board and adopted a schedule of rates to be charged for storm water drainage services and programs.

The stormwater program is deemed to not be a part of the System. Accordingly, operations of the Stormwater Program are not considered when determining compliance with debt covenants contained in City Ordinance No. 75686 or in calculating payments to be made to the City. In FY 1997, the City Council placed the administration responsibility with its own staff and entered into an agreement with the San Antonio Water System for the provision of services related to certain water quality monitoring functions.

Waterworks System

The City originally acquired its waterworks system in 1925 through the acquisition of the San Antonio Water Supply Company, a privately owned company. Since such time and until 1992, when the System was created, management and operation of the waterworks system was under the control of the City Water Board. The waterworks system's authority to provide potable water service within a defined area was established by Certificate of Public Convenience and Necessity No. 10640 ("CCN") issued by the Public Utility Commission of Texas on November 1, 1979. The waterworks system's service area currently extends over approximately 530 square miles, making it the primary water purveyor in Bexar County. The waterworks system currently provides potable water service to approximately 285,122 customers. Although such accounts are primarily residential in nature, service is also provided to commercial, apartment, industrial and wholesale accounts. In terms of customers, approximately 92% of waterworks system customers are residential. For the year ended May 31, 1999, $46.8 million of water sales revenues were from residential customers which was 63% of total revenues related to its potable water system.

The City obtains its water through wells drilled into the Edwards Limestone Formation. The portion of the formation supplying water in the San Antonio area has been designated the "Edwards Underground Water Reservoir" (the "Edwards Aquifer"). As the City's sole source of water, the Edwards Aquifer has also been designated a sole-source aquifer by the Environmental Protection Agency (the "EPA").

The Edwards Aquifer and its catchment area in the Edwards Plateau region is about 8,000 square miles and includes all or parts of 13 counties in south-central Texas. The recharge and artesian areas of the Edwards Aquifer underlie the six counties south and east of the Balcones escarpment. The Aquifer underlies about 3,600 square miles and, including its recharge zone, is about 175 miles long from Bracketville, Texas in Kinney County in the west to Kyle, Texas in Hays County in the east, and varies from about 5 to about 30 miles in width. The Edwards Aquifer receives most of its water from the drainage basins located on the Edwards Plateau. The catchment area, about 4,400 square miles, contains the drainage basins of streams that recharge the Edwards Aquifer.

Much of the area is agricultural or ranch land with some areas of dense population. The Edwards Aquifer supplies nearly all the water for the municipal, domestic, industrial, and agricultural needs of the area. The population of communities in the region during 1990 ranged from a few hundred residents in D'Hanis to over 1,000,000 residents in the San Antonio metropolitan area. Other cities in the area that have populations of more than 1,500 people include Brackettville, Uvalde, Hondo, New Braunfels, and San Marcos.

Recreational establishments located in Comal and Hays Counties northeast of the City depend on water form major springs such as San Marcos Springs and Comal Springs that issue from the Aquifer. In addition to recreational use, as the water moves downstream, it is used for municipal and agricultural supplies. Edwards Aquifer water from these springs also supports ecological systems in this area as rare and unique aquatic life live in the spring water and in the caverns from which the springs flow.

The water level of the Edwards Aquifer has never fallen below the uppermost part of the Edwards Aquifer even during drought conditions from 1947 through 1956. The top of the Edwards Aquifer in the San Antonio area varies from land surface to 1,500 feet below the land surface. The maximum fluctuation of water levels at the index well in San Antonio has been about 85 feet, with the recorded low of 612 feet above sea level in August 1956 and a recorded high of 703 feet above sea level in June 1992. The historical (1934 to 1998) average water level at the index well in San Antonio is approximately 663 feet above sea level. At October 31, 1999, the water level was 663.7 feet above sea level.

The Edwards Aquifer is a complex system. It is unique geologically, hydrologically and biologically, as demonstrated by its prolific recharge ability. It is not the simple reservoir that one might envision, such as a surface water lake. Because of this complexity, it is difficult to predict future water levels in the Edwards Aquifer by utilizing historical long-term average water levels.

The Edwards Aquifer is recharged by seepage from streams and by precipitation infiltrating directly into the limestone outcropping in the northwestern and northern part of the reservoir. Opportunities for recharge are exceptionally good, as the limestone is honeycombed and cavernous. Practically continuous recharge is furnished by spring-fed streams, and additional recharge occurs during rains by seepage from storm water runoff.

The historical (1934 to 1998) annual recharge to the reservoir is approximately 683,100 acre-feet (one acre-foot equaling approximately 325,821 gallons). The average annual recharge over the last four decades (including the drought of record), however, is approximately 693,000 acre feet. The lowest recorded recharge was 43,700 acre-feet in 1956 while the highest was 2,486,000 acre-feet in 1992.

Recharge has been increased by the construction of recharge dams over an area of the Edwards Aquifer exposed to the surface known as the "recharge zone." The recharge dams (or flood-retarding structures) slow the flood flows and allow much of the water that would have otherwise bypassed the recharge zone to infiltrate the Edwards Aquifer.

Additional Water Resources

The San Antonio Water System's Resource Development department is charged with the responsibility of identifying additional water resources for the San Antonio / Bexar County area. New water resource projects range from optimizing Edwards Aquifer to identification of new non-Edwards sources. SAWS long-range water planning is guided by the Water Resource Plan adopted in 1998. SAWS has developed an evaluation method for each of its potential new water resource projects that incorporates extensive public participation as well as comprehensive technical examination. Provided below is a brief overview of each of these initiatives.

Aluminum Company of America (ALCOA)/CPS

In December 1998, SAWS entered into a water supply contract with ALCOA. In addition, a direct purchase of water rights on property located in Bastrop and Lee Counties owned by the City Public Service Board of San Antonio was also initiated. This ALCOA/CPS water supply project represents the first steps in reducing San Antonio's dependence on the Edwards Aquifer through development of a new non-Edwards source. Water will be produced from the Simsboro formation of the Wilcox Group and the project area is located in Bastrop, Lee, and Milam Counties. The result of the feasibility work indicates that between 50,000 – 75,000 acre feet of water could be produced on a long-term basis. Potential delivery alternatives are currently under evaluation. Water quality is good and will require treatment for slightly elevated levels of iron and manganese. Currently, the SAWS Citizens Advisory Panel is evaluating the potential project as to public acceptability. Following the Citizen Advisory Panel evaluation, the project will be presented to the general public through a series of Town Hall meetings scheduled in March.

Aquifer Storage and Recovery

Aquifer Storage and Recovery (ASR) is a relatively new technology currently under investigation by they San Antonio Water System. This technology identifies underground aquifers suitable for cyclic injection and recovery of water as well as short-term storage of water. ASR offers two primary benefits: (1) storage of water underground, thus minimizing surface disturbance, and (2) the ability to store imported water and later recover water from this storage facility during high demand periods. Currently, SAWS is investigating a site in southern Bexar County that appears very favorable for local ASR technology that could provide approximately 20,000 - 30,000 acre feet per year. This project anticipates storage of water from the Edwards Aquifer during wet/low pumpage periods of the year and later recovery during peak demand periods. In addition, SAWS has begun the initial investigations into a larger regional ASR facility located in Atascosa and Wilson Counties.

Western Comal

The Western Comal project is a joint project between Guadalupe Blanco River Authority ("GBRA"), San Antonio River Authority, SAWS, Fair Oaks Ranch, the City of Boerne, BexarMet, and other purveyors in Comal County for the delivery of approximately 10,500 acre feet of water from Canyon Lake to North Bexar and Western Comal Counties. SAWS initial portion of the water is 3,000 acre feet and will eventually be reduced to 2,000 acre feet. SAWS has the option to acquire any water that is unused by the other purveyors should it be available. GBRA is the lead agency on this project and has selected Malcolm Pirney, Inc. to address quality integration issues, and HDR Engineering, Inc. to design the pipeline. Currently, potential pipeline alignments along U.S. Highway 281 and Interstate Highway 10 corridors are being studied. Delivery of this water is anticipated in late 2002.

Edwards Groundwater Acquisitions

SAWS is actively engaged in leasing Edwards water rights from the agricultural community to the west of San Antonio. The lease term is generally 2-3 years in length and costs $75 - $85 per acre-foot of water leased. Leasing of agricultural water rights will meet some of San Antonio's short-term water requirements. Leasing of Edwards water is anticipated for the next five to ten years until larger water supply projects are identified and brought to the San Antonio area. In addition to SAWS leasing program, permanent purchase of Edwards water rights is also considered on a case by case basis. The cost for purchasing permanent water rights is $700 per acre-foot.

Non Edwards Groundwater

Additional Non Edwards Groundwater. SAWS is also studying and identifying other ground water sources for additional supply. Each aquifer is being studied to determine the available yield, recharge, water quality and environmental and economic impacts in order to check the feasibility of the potential aquifers as an additional source of potable water for the San Antonio and Bexar County area.

Conservation

Accelerate Conservation Programs. SAWS enjoys a very successful conservation program. SAWS reduced its Edwards Aquifer pumpage from 213 gallons per capita per day ("gpcd") in 1984 to 156 gpcd in 1996. Total pumpage was reduced nearly 20,000 acre-feet despite an average customer population growth of approximately 200,000 people. The goal is to reduce total pumpage to 140 gpcd by the year 2008. The programs that SAWS has in place now include:

- *Leak detection and repair* - SAWS has four full time crews, which inspect the distribution system for leaks and damage.
- *Watering Restrictions* - The City of San Antonio permits lawn watering only between 8:00 p.m. and 10:00 a.m. all year around.
- *Conservation rate structure* - SAWS drinking water rate structure is a four block inclining rate which means that the more water used on a monthly basis the higher the cost per 1000 gallons. Additionally there is a standard rate and a higher seasonal rate for the months of July through October when demands peak.

- *School Age Education* - A fourth grade curriculum, Major Rivers, has been distributed to all schools in Bexar County. Mentoring, science fair judging, presentations at schools, and tours of water and recycling facilities are also provided for schools.
- *Community Education* - SAWS communicates and shares information with the general public on a regular basis through a speakers bureau, news letters, bill inserts, public workshops, information fairs, and public media service announcements.
- *Mini-Grant Program* - This program provides funding for water conservation, pollution prevention, and environmental awareness projects proposed by schools, neighborhood groups or other community based organizations.
- *Plumbing Assistance Program* - The "Plumbers to People" program funds water leak repairs for low income customers who are referred to SAWS from the City of San Antonio Community Initiatives Department.
- *Water Saver Landscape Program* - The landscape program is a multifaceted program which provides up to $500 credit on residential water bills for replacement of high water using turf and plants with drought tolerant landscaping. It also includes demonstration gardens throughout the City as well as workshops conducted by Bexar County Master Gardeners. The landscape program has successfully retrofitted over 600,000 square feet of residential landscapes with water efficient plants and turf.
- *"Kick the Can" Toilet Rebate Program* - This program provides an incentive for residential customers to replace 5.0-3.5 gallon per flush toilets with new conserving 1.6 gallon per flush toilets. The program rebates customers $75 credit on a residential water bills for each toilet replaced and recycled. More than 22,000 low flow toilets have been installed since the program was initiated.
- *Showerhead Giveaway Program* - SAWS has distributed more than 10,500 low flow showerheads to individuals during information fairs, at presentations and during special events.
- *Car wash Conservation Program* – Car washes that install water efficient equipment, landscaping and plumbing fixtures, or convert to water recycling facilities, can receive up to a $1000 rebate and signage indicating that they have been "certified" by SAWS.

The waterworks system currently utilizes 27 elevated storage tanks and 22 ground storage reservoirs with combined storage capacities of 144 million gallons. As of May 31, 1999, the waterworks system had installed 3,967 miles of distribution mains, ranging in size from 6 inches to 60 inches in diameter, the majority of which are between 6 inches and 12 inches in diameter. At the end of October 1999, the waterworks system was equipped with 19,775 fire hydrants in service. These hydrants are well distributed throughout the system and are a major factor in the City enjoying one of the lowest fire insurance rates of any Texas municipality.

The conservation and regulation of the water in the Edwards Aquifer has recently been the subject to several regulatory actions taken by federal and state agencies and is the subject of litigation further described herein. The City has taken several steps to address these matters including creation of the System and the Board. The City is exceptional in having such a large reliable underground water supply. However, based upon population and water demand projections, coupled with regulatory and environmental issues, the City recognizes that, in the long term, alternative water supplies must be developed to supplement the Edwards Aquifer. Supplemental supplies have been identified as being provided from conservation, reuse, surface water, enhanced recharge capabilities and interbasin transfers.

In 1994, the San Antonio Water System implemented an aggressive water conservation program which aims to reduce pumping to 140 gallons per person per day over the next five to 10 years. This will be accomplished through a variety of means including education, rebates for water efficient technologies, system improvements to prevent water loss and other measures. The System and the City have adopted a critical period management plan to address water use in droughts. One aspect of the plan included water rates Ordinance No. 80330, adopted in June of 1994, which includes a provision for application of an excess surcharge (Critical Period Surcharge) to be implemented during critical periods as declared by the City Council which is in addition to the current rates. The purpose of the Critical Period Surcharge is to discourage discretionary water consumption during a time of drought. The Critical Period Surcharge is to be applied to all residential accounts consuming in excess of 17,205 gallons per month during a declared critical period. The Critical Period Surcharge is equal to $0.3193 per 100 gallons inside the city limits and $0.4105 outside the city limits during the seasonal period and $0.2473 per 100 gallons inside the city limits and $0.3168 outside the city limits during the Standard rate period. Revenues derived from the Critical Period

Surcharge are Gross Revenues of the System. The Critical Period Surcharge was implemented for two months during the summer of 1996 and generated $2,897,268 in Gross Revenues.

Wastewater System

The City Council created the City's wastewater system by ordinance adopted in 1894. Bond proceeds enabled the City to construct new treatment facilities and enlarge the wastewater system pursuant to a major sewer system expansion program begun in 1960. In 1970, the City became the "Regional Agent" of the Texas Water Quality Board (whose functions were later performed by the Texas Water Commission and now by the TNRCC) for approximately 360 square miles within Bexar County. In 1992, this system was consolidated with the City's waterworks system to form the System.

The wastewater system serves the residents of the City, 18 governmental entities and others outside the corporate limits of the City. As Regional Agent, the wastewater system has certain prescribed boundaries which currently cover an area of approximately 404 square miles; however, the City's total planning area covers approximately 956 square miles. The System currently provides wastewater service covering 654 square miles to a population of approximately 1.2 million people.

In addition to the wastewater treatment facilities owned by the City, there are seven privately owned and operated sewage and treatment plants within the City's planning area. There currently exist approximately 334,000 connections to all the treatment systems within Bexar County. Of these, the City serves approximately 321,716 customers or 96.3% of the total connections.

For the year ended May 31, 1999, approximately 93% of the wastewater system customers are residential. The wastewater system presently also provides 20 governmental and private entities with wholesale sanitary sewage transportation and treatment services.

The wastewater system is composed of approximately 4,635 miles of mains; three major treatment plants: Dos Rios, Leon Creek and Salado Creek; and a smaller treatment plant, Medio Creek. The three major plants are activated sludge facilities and the small plant is an extended aeration plant. All of the plants hold EPA National Pollutant Discharge Elimination System (the "NPDES") and TNRCC wastewater discharge permits, and have a combined treatment capacity of 202 million gallons per day (MGD). In addition, the wastewater system operates and maintains several small satellite facilities which vary in number and are temporary pending completion of interceptor sewers that will connect the flow treated at such facilities to the wastewater system. The permitted flows from the wastewater system's regional treatment plants represent 98% of the municipal discharges within the planning area.

Water Recycling System

The Alamo Water Conservation and Reuse District (the "District") was created by the Texas Legislature in 1989 as a conservation and reclamation district, pursuant to Article XVI, Section 59 of the Texas Constitution by Chapter 1147, Acts of the 71st Legislature of the State of Texas, and Senate Bill 1667. The District's purpose was to conserve, protect, distribute, and reuse wastewater in order to augment the supply of water in the Edwards Underground Aquifer region. On December 31, 1991, pursuant to an Ordinance dated December 19, 1991, the City abolished the District and assumed all of its assets and obligations effective January 1, 1992. This action was taken to facilitate the subsequent consolidation of all water-related agencies to create the System.

The System has a contract with CPS, to provide recycled water. The revenues derived from the contract have been excluded from the calculation of Gross Revenues, and are not included in any transfers to the City. The contract is for a period ending September 2030. The CPS is currently utilizing 40,000 acre feet per year but has the option to purchase an additional 10,000 acre feet per year. Additionally in September of 1996, the System began providing reuse water to Mission Del Lago Golf Course.

The System owns the treated effluent from its wastewater treatment plants and has the authority to contract to acquire and to sell non-potable water outside the water and wastewater system boundaries. The System has developed a water-recycling program utilizing the wastewater stream. With such program, the System expects during the next three to five years to make available up to 35,000 acre-feet for non-potable uses including golf courses and industrial use that are currently being supplied from the Edwards Aquifer. This represents approximately 20% of the System's current usage. This infrastructure project will have transmission mains throughout the City as well as storage and treatment components. The System has appointed a Project Manager and instituted a project team with members from throughout the organization.

Stormwater Program

The System has executed an agreement dated October 8, 1996, with the City establishing responsibility for various aspects of data collection and analysis related to the water quality of stormwater. In September 1995, the City and the System received a draft permit from EPA listing the tasks required for the program. Both entities have begun the process of modifying or developing operations for execution of these tasks. Annual budgets have been developed for these operations totaling $8.2 million including $5.1 million for the System's share of activities.

Chilled Water and Steam Utility

The System operates a thermal plant providing Chilled Water and Steam ("CW&S") services to 23 customers in the eastern part of the downtown area. The CW&S Utility had Gross Revenues of $4,234,203 in Fiscal Year 1999 of which 71% are from governmental entities including the City and federal entities. In October 1996, the City and SAWS began a dual track approach to study the benefits of public versus private ownership of the chilled water system. A consultant was hired to assist in the analysis of how best to proceed with the administration and management of the system, including private versus public management. The study was completed in September, 1997 with a report to the City Council in December 1997 and recommended SAWS maintain ownership of the system but recommended a number of operational, organizational, maintenance, and system improvements to make for a more efficiently run system. These improvements are in the process of being implemented and a detailed rate analysis including a long-term forecast is planned. The City believes that maintaining SAWS ownership of the plant gives it better control and flexibility since the City is the largest user of the system.

SAWS Year 2000 Computer Issues

The System is currently addressing year 2000 (Y2K) issues relating to its computer systems and other electronic equipment. The Y2K issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that Y2K is a leap year.

The System formed a coalition with the City of San Antonio, City Public Service, County of Bexar, Frost National Bank, N.A., H.E.Butt Grocery Company, United Services Automobile Association (USAA), Southwestern Bell Telephone Company, various hospitals, military bases and the Local Emergency Planning Committee. The purpose of the coalition is to share best practices and resources, promote preparedness and assist smaller businesses and organizations with their Y2K.

From the initial startup in 1996 through fiscal year 1999, the system has expended approximately $2,000,000 for hardware replacement, software replacement, and professional services. The System has currently budgeted an additional $200,000 for Y2k contingencies in fiscal year 2000. The critical systems were identified, as those needed to support core functions. They include water pumping, heating and cooling, sewer collection, sewer treatment, infrastructure maintenance, quality analysis and business systems. Critical legacy stems identified were customer service information and billing, and the general work order system.

SAWS uses the System Control and Data Acquisition ("SCADA") computer systems in both the water production and water recycling areas. An operator makes decisions on how to operate the system based on feedback from these SCADA systems and can also use these systems to activate pump motors and operate valves in the system. All production and recycling facilities have manual override capabilities in the event the SCADA becomes inoperable. Processes controlled automatically by the SCADA are triggered based on pressure or volume, not date. Therefore, no interruption in service is expected from the year 2000 problems. SAWS is working to ensure that the level of service and a constant and reliable water supply will be available to all of our customers as we move into the year 2000.

San Antonio Water System
Summary of Pledged Revenues for Debt Coverage

	For the Fiscal Years Ended				
	5/31/99	5/31/98	5/31/97	5/31/96	5/31/95
Revenues					
Water Service	$ 80,975,392	$ 74,027,065	$ 67,045,953	$ 71,651,537	$ 67,463,442
Sewer Service	92,775,036	92,095,892	93,947,796	91,424,170	86,136,269
Miscellaneous	8,050,953	7,847,852	11,036,574	8,828,363	8,005,434
Total Revenues	$ 181,801,381	$ 173,970,809	$ 172,030,323	$ 171,904,070	$ 161,605,145
Maintenance and Operating Expenses	$ 100,429,763	$ 93,883,767	$ 92,306,303	$ 79,578,280	$ 74,305,810
Net Available for Debt Service	$ 81,371,618	$ 80,087,042	$ 79,724,020	$ 92,325,790	$ 87,299,335
Debt Service Requirements	$ 52,229,892	$ 53,702,505	$ 55,686,718	$ 42,914,100	$ 53,932,450
Coverage of Debt	1.56X	1.49X	1.43X	1.71X	1.62X
Water Customers	282,359	276,897	272,531	268,189	284,120
Sewer Customers	317,664	308,622	299,113	288,696	284,120

Source: City of San Antonio, San Antonio Water System.

Airport System

The City's airport system consists of the San Antonio International Airport and Stinson Municipal Airport (the "Airport System"), both of which are owned by the City and operated by its Department of Aviation.

San Antonio International Airport, located on a 2,600-acre site that is adjacent to Loop 410 freeway and U.S. Highway 281, is eight miles north of the City's downtown business district. The International Airport consists of three runways with the main runway measuring 8,502 feet and able to accommodate the largest commercial passenger aircraft. Its two terminal buildings contain 28 gates. Presently, domestic air carriers providing service to San Antonio are American Airlines, America West, Atlantic Southeast, Continental, Delta, Midwest Express, Northwest, Southwest, Sun Country, United, and TWA. Mexicana, Aerolitoral and Aeromar are Mexican airlines that provide passenger service to Mexico. Architectural plans and specifications have been developed for adding an 8-gate concourse to Terminal I as the need arises. The Airport Master Plan Design allows for an increase from 28 to 60 gates. It is estimated that current gate facilities are being used at 75% of capacity. A variety of services are available to the traveling public from approximately 245 commercial businesses including nine rental car companies which lease facilities at the International Airport and Stinson Municipal Airport.

Cargo is one of the fastest growing activities at San Antonio International Airport. The Airport has two designated cargo areas; the West Cargo Area which was constructed in 1974 and refurbished in 1990 and the East Cargo Area which was completed in 1992. The East Cargo Area is specially designed for use by all cargo overnight express carriers. The custom-built cargo facilities in the East Cargo Area are leased to Airborne Express and Federal Express. An expansion of the cargo apron was completed in 1997 to accommodate future growth and additional warehouse and office facilities are planned for early 2000. Foreign trade zones exist at both cargo areas should any of the tenants desire to utilize these facilities. Enplaned and deplaned cargo for 1999 totaled 148,000 tons.

In July, 1996, the City sold $38,000,000 Airport System Improvement Revenue Bonds, Series 1996, of which approximately $33 million was utilized to construct a new long-term parking garage, as well as a new exit plaza, additional surface parking and roadway improvements. The parking expansion program was completed in summer, 1999 and the Airport System operates and maintains approximately 6,200 public parking spaces and 1,000 employee parking spaces for a total of 7,200 parking spaces.

Stinson Municipal Airport, established in 1915 and named for the Stinson family, aviation pioneers, is one of the country's first municipally owned airports. Today, Stinson Municipal Airport is a general aviation airport which serves as the primary reliever airport for the San Antonio International Airport.

The following is a comparative statement of gross revenues and expenses for the five prior fiscal years ending September 30:

Comparative Statement of Gross Revenues and Expenses
San Antonio Airport System

	1999	1998	1997	1996	1995
Revenue	$ 38,128,184	$ 37,134,969	$ 35,897,243	$ 35,426,390	$ 32,248,195
Expenses	21,449,007	19,469,337	18,874,441	19,593,232	17,335,575
Net Operating Income	$ 16,679,177	$ 17,665,632	$ 17,022,802	$ 15,833,158	$ 14,912,620

Source: City of San Antonio, Finance Department.

The following table sets forth the total domestic and international enplaned passengers for the calendar years 1992 through 1999 with year to year increase/decrease as well as percentage change:

Total Domestic and International Enplaned Passengers
San Antonio International Airport

Year	Total	Increase/ (Decrease)	Percent Change
1992	2,751,043	--	--
1993	2,860,225	109,182	3.97%
1994	3,064,768	204,543	7.15%
1995	3,058,537	(6,232)	(0.20%)
1996	3,568,328	509,792	16.67%
1997	3,484,141	(84,187)	(2.36%)
1998	3,505,372	21,231	0.61%
1999	3,538,070	32,698	0.93%

Source: City of San Antonio, Aviation Department.

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The following table reflects total enplanements and deplanements for international passengers for the calendar years 1992 through 1999:

Total Enplaned/Deplaned International Passengers
San Antonio International Airport

Year	Total	Increase/ (Decrease)	Percent Change
1992	232,827	--	--
1993	253,321	20,494	8.80%
1994	238,957	(14,364)	(5.67%)
1995	141,645	(97,312)	(40.72%)
1996	193,843	52,198	36.85%
1997	200,965	7,122	3.67%
1998	246,902	45,937	22.86%
1999	229,397	(17,505)	(7.09%)

Source: City of San Antonio, Aviation Department.

Historical aircraft landed weight in 1,000 pound units is presented for the calendar years indicated in the following table:

Air Carrier Landing Weight
San Antonio International Airport

Year	Total	Increase/ (Decrease)	Percent Change
1992	5,115,041	--	--
1993	5,271,426	156,385	3.06%
1994	5,653,573	382,146	7.25%
1995	5,273,701	(379,872)	(6.72%)
1996	5,555,613	281,912	5.35%
1997	5,530,247	(25,367)	(0.46%)
1998	5,601,616	71,370	1.29%
1999	5,778,407	176,791	3.16%

Source: City of San Antonio, Aviation Department.

The City has covenanted to levy a tax, if necessary, to provide for the operation and maintenance expenses of the Airport System. The amount of such tax levy will at no time exceed 5¢ per $100 of assessed valuation of the taxable property in the City. Such tax is irrevocably pledged to the operation and maintenance of the Airport System and not to debt. To date, the City has levied no such tax for the Airport System.

APPENDIX B

EXCERPTS FROM BOND ORDINANCE

APPENDIX B

SELECTED PROVISIONS OF THE ORDINANCE

SECTION 6. **DEFINITIONS**. Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Ordinance, or any ordinance amendatory or supplemental hereto, shall be construed, are used, and are intended to have meanings as follows:

"Amortization Installment" - With respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements" - As of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such debt, or be payable in respect of any required purchase of such debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Funded Debt is subject to required purchase, all under arrangements whereby the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(2) Balloon Parity Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as "Balloon Parity Debt"), the amount of principal of such Balloon Parity Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Parity Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Parity Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Parity Debt, if a Designated Financial Officer shall deliver to the City a certificate providing for the retirement of (and the instrument creating such Balloon Parity Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Parity Debt shall permit the accumulation of a sinking fund for), such Balloon Parity Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Parity Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Parity Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

(4) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

(5) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations);

(6) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted as Parity Obligations for the purpose of the definition of "Annual Debt Service Requirements" unless the City has made such guarantee payable from the Gross Revenues on a parity basis to the lien created on the Gross Revenues hereby to secure the Parity Obligations, or if the City does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the guarantee is secured by the Gross Revenues, as aforesaid, and the City is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Parity Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the City will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the City no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements;

(7) Commercial Paper. With respect to any Parity Obligations issued in the form of commercial paper with maturities not exceeding 270 days, the interest on such Parity Obligations shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(8) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Debt and secured its obligation under the Credit Agreement from the Gross Revenues on a parity basis to the lien created on the Gross Revenues hereby to secure the Parity Obligations, payments due under the Credit Agreement (other than payments for fees and expenses), for either the City or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (7) above and any payments otherwise included above under (1) through (7) which are to be replaced by payments under a Credit Agreement, from either the City or the Credit Provider, shall be excluded from such calculation.

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Bond Counsel" - An attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

"Business Day" - Any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the designated payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

"City" - The City of San Antonio, Texas and, where appropriate, the City Council thereof.

"Code" - The Internal Revenue Code of 1986, and any amendments thereto.

"Credit Agreement" - Collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Obligations, purchase or sale agreements, interest rate swap agreements, currency exchange agreements, interest rate floor or cap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Obligations.

"Credit Facility" - (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Parity Obligations would rate the parity obligations in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

"Credit Provider" - Any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

"Debt" - All:

(1) indebtedness incurred or assumed by the City for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the City, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of the City in prior Fiscal Years.

"Designated Financial Officer" - The chief financial officer of the City, which is, at the time of adoption of this Ordinance, the Director of Finance of the City, or such other financial or accounting official of the City so designated by the City Manager.

"Fiscal Year" - Any twelve consecutive month period established by the City as its "fiscal year."

"Funded Debt" - All Parity Obligations created or assumed by the City, either through the use of the proceeds or by an obligation of the City to pay, guarantee or otherwise provide for the payment thereof which mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such debt by the City.

"Government Obligations" - Direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and United States Treasury obligations such as its State and Local Government Series in book-entry form.

"Gross Revenues" - All of the revenues and income of every nature derived from the operation and ownership of the Parking System *(but exclusive of fines imposed and received by the City for parking violations and, at the City's option, funds received from the sale or disposition of any property of the Parking System).* Amounts on deposit in a Pledged Fund which is pledged only to a particular series of Parity Obligations and not to all Parity Obligations, and the proceeds of the investment thereof, secure the Parity Obligations for which such Pledged Fund was created, and do not constitute Gross Revenues for the purpose of securing other Parity Obligations.

"Holders," "Registered Owners" or words of similar import - The registered owners of the Parity Obligations from time to time as shown in the books kept by the Paying Agent/Registrar as bond registrar and transfer agent.

"Maturity" - When used with respect to any Debt payable in whole or in part from Gross Revenues, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"Net Earnings" - Gross Revenues less Operation and Maintenance Expenses, but not depreciation charges or expenditures which, under generally accepted accounting principles, should be charged to capital expenditures or unrealized investment gains or losses.

"Operation and Maintenance Expenses" - All reasonable and necessary expenses required for the efficient operation and maintenance of the Parking System, including, without limitation, lease payments, insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, paying agent/registrar charges in connection with Parity Obligations, administrative expenses, salaries, labor, fees, materials, contractual and professional services, keeping the Parking System in good condition and working order, making all needed repairs, providing for all needed periodic and non-recurring items of maintenance, and providing for the enforcement of parking laws and ordinances.

"Other Parking-Related Obligations" - The prorata portion (as determined by the Designated Financial Officer) of any bonds, notes, certificates of obligation or other obligations heretofore or hereafter issued by the City which are not secured in whole or in part by a pledge of Gross Revenues, all or a portion of the proceeds of which were used for the purpose of financing or refinancing the acquisition, construction or improvement of any facilities and equipment included in the Parking System.

"Outstanding" - When used with respect to Parity Obligations, means, as of the date of determination, all Parity Obligations theretofore delivered under this Ordinance and any ordinance authorizing additional Parity Obligations, except:

(1) Parity Obligations theretofore canceled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 27 of this Ordinance or any comparable section of any ordinance authorizing additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing additional Parity Obligations; and

(4) Parity Obligations under which the obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

"Parity Obligations" - Collectively, the Series 2000 Bonds and bonds, notes, warrants or other obligations which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Ordinance and which obligations are equally and ratably secured wholly or in part by a pledge of and lien on the Gross Revenues on a parity with the lien on and pledge of the Gross Revenues which secures the Series 2000 Bonds.

"Parking System" - All property, facilities and equipment of any kind now and hereafter owned, leased or otherwise acquired by the City for the primary purpose of providing off-street parking and on-street parking of vehicles, together with future improvements, extensions, enlargements and additions thereto, and replacements thereof (but excluding any parking facilities used in connection with the City's airport system or adjacent to the Alamodome). Notwithstanding the foregoing, the term "Parking System" shall not include property, facilities and equipment of any kind which the City Council declares not to be a part of the Parking System *and* which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the City which are not payable from Gross Revenues but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of the Parity Obligations, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Paying Agent/Registrar" - The respective bank, trust company, financial institution or other entity named in the ordinance authorizing the issuance of each issue of Parity Obligations to provide paying agency and registrar services in connection with such issue of Parity Obligations.

"Pledged Funds" - With respect to the Series 2000 Bonds, (a) amounts on deposit in the Revenue Fund and the Debt Service Fund allocable to the Series 2000 Bonds on a prorata basis with all other Parity Obligations, together with any investment securities or other investments or earnings belonging to said Funds, and (b) amounts on deposit in the Construction Fund created in accordance with Section 34 hereof.

"Qualified Independent Consultant" - A person, firm, or corporation, independent of the City (i.e., not an employee or related entity of the City), having a widely known and favorable reputation for special skill, knowledge, and experience in methods of development, operation and management of vehicular parking systems of size and character constituting the Parking System.

"Rating Agency" - One or more nationally recognized credit rating agencies then maintaining a rating on the Parity Obligations at the request of the City.

"Required Operation and Maintenance Fund Balance" - Initially upon delivery of the Series 2000 Bonds an amount equal to *$1,660,105*, and annually thereafter an amount determined by the Designated Financial Officer equal to 25% of the budgeted Operation and Maintenance Expenses for that Fiscal Year, which shall be held in the Operation and Maintenance Fund in accordance with the provisions of this Ordinance.

"Required Repair and Replacement Fund Balance" - Initially upon delivery of the Series 2000 Bonds an amount equal to *$1,500,000*, and annually thereafter an amount determined by the Designated Financial Officer not more than 60 days prior to each Fiscal Year equal to (i) 3.5% of the estimated value of the Parking System before depreciation as reported in the most recent annual financial statements of the City, plus (ii) to the extent applicable, 3.5% of the construction costs of any new or substantially renovated surface or structured parking facility of the Parking System.

"Series 2000 Bonds" - The *"City of San Antonio, Texas Parking System Revenue Bonds, Series 2000"*, dated May 1, 2000, authorized by this Ordinance.

"Series 2000 Project" - The acquisition, construction, and equipping of (i) two multi-level, off-street parking facilities located in the downtown area of the City, (ii) improvements to existing parking facilities, and (iii) signage related to the Parking System.

"Stated Maturity " - The annual principal payments of the Parity Obligations payable on the respective dates set forth in the ordinances which authorize the issuance of such Parity Obligations.

"Subordinate Lien Obligations" - Any bonds, notes, warrants, leases, guarantees or other obligations issued by the City that are payable, in whole or in part, from and secured by a lien on and pledge of the Gross Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Gross Revenues that are or will be pledged to the payment of any Parity Obligations.

"Term Bonds" - Those Parity Obligations so designated in the ordinances authorizing such obligations which shall be subject to retirement by operation of mandatory "sinking fund" redemptions.

"Term of Issue" - With respect to any Balloon Parity Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Parity Debt and ending on the final maturity date of such Balloon Parity Debt or (ii) twenty-five years.

SECTION 7. **PLEDGE; SECURITY AND PAYMENTS**. The Series 2000 Bonds are special obligations of the City, payable on a parity basis with all other Parity Obligations, from and secured by the Gross Revenues. The Series 2000 Bonds are additionally secured by the Pledged Funds. The Gross Revenues are hereby pledged to the payment of the principal of, premium, if any, and interest on the Series 2000 Bonds as the same shall become due and payable; and the Gross Revenues are further pledged to the establishment and maintenance of the Pledged Funds, to the extent hereinafter provided. The Series 2000 Bonds are and will be secured by and payable only from the Gross Revenues and the Pledged Funds, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed of the City. The City agrees to pay the principal of, premium, if any, and the interest on the Series 2000 Bonds when due, whether by reason of maturity or redemption.

SECTION 8. **RATES AND CHARGES; COVENANTS RELATING TO GROSS REVENUES**. (a) Rate Covenant. So long as the Parity Obligations are outstanding, the City shall establish, charge and collect Gross Revenues sufficient to produce Net Earnings in each Fiscal Year at least equal to the Annual Debt Service Requirements for Parity Obligations coming due during such Fiscal Year until the two off-street parking facilities being constructed with proceeds of the Series 2000 Bonds and constituting the primary portion of the Series 2000 Project have been in operation for one complete Fiscal Year, and thereafter at least equal to 125% of the average Annual Debt Service Requirements for the Outstanding Parity Obligations.

(b) Anticipated Deficit. If the City determines, for any reason whatsoever, that there are not anticipated to be Gross Revenues sufficient to meet the covenant described in subsection (a) of this Section, then the City shall fix, levy, charge, and collect such rentals, rates, fees, or other charges of the Parking System, effective at such times and in such amounts, without any limitation whatsoever, as will be at least sufficient to provide the money for making when due all such financial obligations of the City. Any adjustments in the rate or manner of charging for any rentals, rates, fees, or other charges included in Gross Revenues will be based upon a certificate and recommendation of the Designated Financial Officer, delivered to the City Council, as to the rates and anticipated collection of the Gross Revenues by the City (after taking into account the anticipated effect the proposed adjustments in such rentals, rates, fees, or other charges would have on the receipt of Gross Revenues) which will be anticipated to result in Gross Revenues being sufficient to meet all financial obligations of the City described in subsection (a) of this section.

(c) Actual Deficit. If, in any Fiscal Year, the Gross Revenues are insufficient to meet the covenant described in subsection (a) of this Section, within 30 days of the receipt of the audited financial statements of the City for such Fiscal Year, the City shall engage a Qualified Independent Consultant to review and analyze the financial status and operations of the Parking System, and to submit, within 60 days thereafter, a written report to the City recommending revisions of the rates, fees and charges of the Parking System and the methods of operation of the Parking System that will result in producing the amount so required in the then following Fiscal Year. Promptly upon its receipt of such recommendations, the City shall revise the rates, fees and charges of the Parking System, or alter the methods of operation of the Parking System, and shall take such other action as will conform with such recommendations.

SECTION 9. **CREATION OF FUNDS**. (a) Creation of Revenue Fund and Debt Service Fund. There is hereby created and maintained on the financial records of the City, for the prorata benefit of all Parity Obligations, the following funds:

a. *"City of San Antonio Parking System Revenue Fund"* (herein called the "Revenue Fund"); and

b. *"City of San Antonio Parking System Debt Service Fund"* (herein called the "Debt Service Fund".

(b) Creation of Operation and Maintenance Fund, Repair and Replacement Fund, and Parking System Facilities Fund. There is hereby created and maintained on the financial records of the City the following funds, none of which is a Pledged Fund, and none of which is pledged for the benefit of the Parity Obligations:

(1) *"City of San Antonio Parking System Operation and Maintenance Fund"* (herein called the "Operation and Maintenance Fund");

(2) *"City of San Antonio Parking System Repair and Replacement Fund"* (herein called the "Repair and Replacement Fund"); and

(3) *"City of San Antonio Parking System Facilities Fund"* (herein called the "Facilities Fund");

(c) Creation of Construction Funds. The City may establish a project construction fund in connection with the issuance of any series of Parity Obligations issued for the purpose of providing funds for the acquisition, construction, improvement, and equipment of parking facilities. Each project construction fund may be designated by the City as a Pledged Fund for the benefit of the series of Parity Obligations in connection with which such fund was created. The City also may establish a construction fund for the purpose of depositing any funds received from the sale of any assets of the Parking System if the City is able to satisfy the requirements of Sections 29, 30 and 31 of this Ordinance and elects to use such funds to acquire or make improvements to the Parking System.

(d) Creation of Subaccounts. For ease of administration, the City may establish in the Revenue Fund or the Debt Service Fund subaccounts for each series of Parity Obligations, and if such subaccounts are established, the City shall deposit to such subaccounts a prorata amount of the Gross Revenues. Notwithstanding the establishment of such subaccounts, the Gross Revenues on deposit in such Funds shall secure all Parity Obligations equally and ratably.

SECTION 10. REVENUE FUND. (a) Deposit of Gross Revenues. The City hereby covenants and agrees that Gross Revenues shall be deposited upon receipt to the credit of the Revenue Fund.

(b) Flow of Funds. Gross Revenues on deposit in the Revenue Fund shall be applied to the extent required for the following uses in the order of priority shown below:

FIRST: DEBT SERVICE FUND: To the Debt Service Fund (or subaccounts therein) on the dates and in the amounts set forth in Section 11 of this Ordinance;

SECOND: OPERATION AND MAINTENANCE FUND: To the Operation and Maintenance Fund, on the dates and in the amounts set forth in Section 12 of this Ordinance; *provided, however, that any transfers to the Operation and Maintenance Fund may not occur prior to making the full monthly deposits required in subparagraph FIRST immediately above*);

THIRD: SUBORDINATE LIEN OBLIGATIONS: To the funds and accounts established by ordinances of the City providing for the payment and security of Subordinate Lien Obligations hereafter issued, if any, with such deposits to be made in approximately equal monthly deposits on the dates and in the amounts as provided in each ordinance of the City authorizing the issuance of such Subordinate Lien Obligations; *provided, however, that any transfers to such funds and accounts may not occur prior to making the full monthly deposits required in subparagraph SECOND immediately above*);

FOURTH: OTHER PARKING-RELATED OBLIGATIONS FUND: To the Other Parking-Related Obligations Fund on the dates and in the amounts set forth in Section 13 of this Ordinance; *provided, however, that any transfers to the Other Parking-Related Obligations Fund may not occur prior to making the full monthly deposits required in subparagraph THIRD immediately above*);

FIFTH: REPAIR AND REPLACEMENT FUND: To the Repair and Replacement Fund, on the dates and in the amounts set forth in Section 14 of this Ordinance; *provided, however, that any transfers to the Repair and Replacement Fund may not occur prior to making the full monthly deposits required in subparagraph THIRD above*); and

SIXTH: FACILITIES FUND: To the Facilities Fund, all Gross Revenues remaining on deposit in the Revenue Fund after making the full monthly deposits required in subparagraph FIFTH immediately above.

SECTION 11. **DEBT SERVICE FUND**. (a) Use of Funds. The City hereby covenants that the Debt Service Fund shall be established and maintained, and the funds deposited therein shall be used, only for the purpose of paying the principal of and interest on Parity Obligations.

(b) Deposit of Accrued Interest and Capitalized Interest. Immediately after the delivery of any series of Parity Obligations, all accrued interest from the sale and delivery of such Parity Obligations and all proceeds representing capitalized interest, as determined by the Designated Financial Officer, shall be deposited to the credit of the Debt Service Fund.

(c) Monthly Interest Deposits. On or before the 25th day of the month following delivery of each series of Parity Obligations, and on or before the 25th day of each month thereafter, there shall be deposited into the Debt Service Fund in approximately equal monthly installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on such Parity Obligations on the next interest payment date.

(d) Monthly Principal Deposits. On or before the 25th day of each month, commencing with the twelfth (12th) month preceding the first principal payment date for a series of Parity Obligations, or commencing with the month immediately following the issuance of any series of Parity Obligations if delivery of such series of Parity Obligations is made less than 12 months preceding the first principal payment date for such series of Parity Obligations, there shall be deposited into the Debt Service Fund in approximately equal monthly installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal of the Parity Obligations scheduled to mature on the next succeeding maturity date.

(e) Deposits for Optional Redemptions. On or before any optional redemption date set by the City for any Parity Obligations, there shall be deposited into the Debt Service Fund an amount as will be sufficient to pay the principal of, premium, if any, and interest on the Parity Obligations scheduled to be redeemed on such optional redemption date.

SECTION 12. **OPERATION AND MAINTENANCE FUND.** (a) Use of Funds. The City hereby covenants that the Operation and Maintenance Fund shall be established and maintained, and the funds deposited therein shall be used, only for the purpose of paying Operation and Maintenance Expenses.

(b) Initial Deposit of Bond Proceeds. Upon delivery of the Series 2000 Bonds, the City shall deposit *$1,660,105* into the Operation and Maintenance Fund (of which *$1,500,000* shall come from available funds of the City and *$160,105* shall come from proceeds of the Series 2000 Bonds), which amount shall be the initial Required Operation and Maintenance Fund Balance. The City hereby agrees and covenants that in the event the amount on deposit in the Operation and Maintenance Fund falls below the Required Operation and Maintenance Fund Balance, the City shall within 90 days replenish such Fund from any funds of the City available for such purpose (including inter-fund transfers) until the amount is at least equal to the Required Operation and Maintenance Fund Balance if the Required Operation and Maintenance Fund Balance has not been restored to the required amount.

(c) Monthly Deposits. On or before the 25th day of the month following delivery of the Series 2000 Bonds, and on or before the 25th day of each month thereafter, there shall be deposited into the Operation and Maintenance Fund an amount equal to approximately one-twelfth (1/12) of the annual budgeted Operation and Maintenance Expenses for such Fiscal Year (or such greater amount as the Designated Financial Officer deems necessary to meet expected Operation and Maintenance Expenses during the ensuing month), together with an additional amount as shall be required to maintain the Required Operation and Maintenance Fund Balance.

SECTION 13. **OTHER PARKING-RELATED OBLIGATIONS FUND**. (a) Use of Funds. Funds on deposit in the Other Parking-Related Obligations Fund shall be used for the purpose of paying the debt service on Other Parking-Related Obligations on the dates and in the amounts as provided in the respective ordinances of the City authorizing the issuance of such Other Parking-Related Obligations. The Designated Financial Officer is authorized to transfer funds on deposit therein to the appropriate funds and accounts of the City which have been established by ordinances of the City to provide for the payment and security of such Other Parking-Related Obligations in the amounts and on the dates deemed necessary and appropriate to timely pay debt service on the Other Parking-Related Obligations.

(b) Initial Deposit. Upon delivery of the Series 2000 Bonds, the City shall deposit into the Other Parking-Related Obligations Fund from available funds of the City an amount not less than *$1,112,839.*

(c) Monthly Deposits. While any Other Parking-Related Obligations are outstanding, the City *may deposit, at the option of the Designated Financial Officer,* into the Other Parking-Related Obligations Fund, on or before the 25th day of each month, an amount determined by the Designated Financial Officer (after taking into consideration other expenditures which the Designated Financial Officer anticipates will be required to be made from Gross Revenues either pursuant to the requirements of this Ordinance or elsewhere) to pay all or a portion of the principal and interest scheduled to come due on such Other Parking-Related Obligations on the next respective payment date as provided in the respective ordinances which authorized the issuance of such Other Parking-Related Obligations.

SECTION 14. **REPAIR AND REPLACEMENT FUND**. (a) Use of Funds. The Repair and Replacement Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the Parking System, or for paying the costs of unexpected or extraordinary repairs or replacements of the Parking System for which Gross Revenues are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the Parking System for which Gross Revenues are not otherwise available. In addition, in the event there are insufficient funds on deposit in the Other Parking-Related Obligations Fund to fully fund the payment of principal and/or interest on any principal or interest payment date for Other Parking-Related Obligations, funds on deposit in the Repair and Replacement Fund may be transferred to the Other Parking-Related Obligations Funds to satisfy any such insufficiency.

(b) Initial Deposit and Required Balance. Upon delivery of the Series 2000 Bonds, the City shall deposit into the Repair and Replacement Fund, from proceeds of the Series 2000 Bonds, an amount equal to *$1,500,000,* which represents the initial Required Repair and Replacement Fund Balance. The Designated Financial Officer annually shall evaluate the value of the Parking System to determine the Required Repair and Replacement Fund Balance. Should the amount in any given year on deposit in the Repair and Replacement Fund be less than the Required Repair and Replacement Fund Balance, the City hereby covenants and agrees to make monthly deposits described in Section 14(c) below until the required amount is attained.

(c) Monthly Deposits. When and so long as the money and investments in the Repair and Replacement Fund total not less than the Required Repair and Replacement Fund Balance, no deposits need be made to the credit of the Repair and Replacement Fund; but when and if the Repair and Replacement Fund at any time contains less than the Required Repair and Replacement Fund Balance, the City covenants and agrees to cure the deficiency in the Repair and Replacement Fund within sixty (60) months from the date the deficiency in funds occurred by making monthly deposits on or before the 25th day of each month following the month such deficiency first occurred of not less than 1/60th of the amount of such deficiency.

SECTION 15. **FACILITIES FUND**. (a) Use of Funds. Funds on deposit in the Facilities Fund may be used for any lawful purpose including, but not limited to, making deposits to the Debt Service Fund, the Operation and Maintenance Fund, the Other-Parking Related Obligations Fund, the Repair and Replacement Fund and any debt service fund or debt service reserve fund created and established to secure the payment of any Subordinate Lien Obligations in the event Gross Revenues on deposit in the Revenue Fund during any month are insufficient to make the transfers and deposits to such funds as required or permitted by this Ordinance.

(b) Initial Deposit. Upon delivery of the Series 2000 Bonds, the City shall deposit into the Facilities Fund from available funds of the City an amount not less than *$500,000.*

(c) Monthly Deposits. Subject to making the full monthly deposits as required by this Ordinance into the Debt Service Fund, the Operation and Maintenance Fund and the Repair and Replacement Fund, into any debt service fund or debt service reserve fund required by any ordinance authorizing the issuance of Subordinate Lien Obligations, and into the Other Parking-Related Obligations Fund (at the option of the Designated Financial Officer), all excess Gross Revenues on deposit in the Revenue Fund shall be deposited on or before the 25th day of each month into the Facilities Fund.

SECTION 16. **DEFICIENCIES**. In the event there are insufficient funds available in any month to permit the required monthly deposits to any Fund in accordance with the provisions of Section 10(b) hereof, amounts equivalent to such deficiencies shall be set apart and paid into the respective Fund from the first available and unallocated Gross Revenues in the next following month or months, and such payments shall be in addition to the monthly amounts otherwise required to be paid into said Funds during such month or months.

SECTION 17. **SECURITY OF FUNDS**. All money on deposit in the special funds for which this Ordinance makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

SECTION 18. **INVESTMENTS.** Funds on deposit in any Fund created by this Ordinance or any fund created by an ordinance authorizing the issuance of additional Parity Obligations may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Debt Service Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in any Construction Fund shall have a final maturity of not later than the date the City reasonably expects the funds from such investments will be required to pay costs of the projects for which the Parity Obligations were issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; provided, however, any such income and profits from investments in any Construction Fund may be withdrawn by the City and deposited in the Debt Service Fund to pay all or a portion of the interest next coming due on the Bonds. It is further provided, however, that any interest earnings on proceeds of Parity Obligations which are required to be rebated to the United States of America pursuant to Section 29 hereof in order to prevent such Parity Obligations from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 19. **TRANSFER OF FUNDS TO THE PAYING AGENT/REGISTRAR**. On or before an interest or principal payment date for the Parity Obligations, the City shall cause a transfer of funds on deposit in the Debt Service Fund to be made to the Paying Agent/Registrar in the amounts calculated as fully sufficient to pay and discharge promptly, as due, each installment of principal of, premium, if any, and interest pertaining to the Parity Obligations. In the event Parity Obligations may be called for redemption prior to maturity, and are called for redemption by the City, the City shall cause amounts calculated as sufficient to pay and discharge such Parity Obligations (including accrued interest and premium, if any) so called for redemption to be transferred to the Paying Agent/Registrar on or before the date fixed for the redemption of such Parity Obligations.

SECTION 20. **ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS**. (a) Conditions for the Issuance of Additional Parity Obligations. Subject to the provisions hereinafter appearing as conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, additional Parity Obligations for any lawful purpose. Such Parity Obligations may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) *No Default/Compliance with Covenants*. The Designated Financial Officer shall have executed a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable in whole or in part from, and secured by a lien on and pledge of, the Gross Revenues that would materially affect the security or payment of the Parity Obligations, and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such Parity Obligations then being issued will cure any such deficiency.

(2) *Historical Net Earnings Test*. The Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the City, the Net Earnings for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted are equal to at least 1.25 times the average Annual Debt Service Requirements for all Parity Obligations then Outstanding.

(3) *Pro Forma Net Earnings Test*. The Designated Financial Officer shall have executed a certificate to the effect that, according to the books and records of the City, the Net Earnings for the preceding Fiscal Year or for a 12 consecutive month period out of the 18 consecutive months immediately preceding the month the ordinance authorizing the issuance of the Parity Obligations is adopted, *plus* any Net Earnings to be realized in the first 12 months of operation of such new parking facility being financed with such additional Parity Obligations (as forecast by a Qualified Independent Consultant), are projected to be equal to at least 1.25 times the average Annual Debt Service Requirements for all Parity Obligations then Outstanding and the additional Parity Obligations proposed to be issued. In making the determination of the Net Earnings, the Designated Financial Officer may take into consideration (i) the forecast provided by a Qualified Independent Consultant described in the preceding sentence, and (ii) a change in the rates and charges of the Parking System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the City for the period of time covered by this certification based on such forecast of additional Net Earnings provided by such additional parking facility and such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate.

(b) Refundings. Subject to the provisions of subsection (a) of this Section, Parity Obligations may be issued from time to time (pursuant to any law then available) for the purpose of refunding Outstanding Parity Obligations and Subordinate Lien Obligations upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and, if less than all Outstanding Parity Obligations are refunded or if any Subordinate Lien Obligations are refunded, the proposed refunding Parity Obligations shall be considered as additional Parity Obligations under the provisions of this Section, but the certificates required in subsection (a) of this Section shall give effect to the issuance of the proposed refunding Parity Obligations (and shall not give effect to any Parity Obligations being refunded following their cancellation or provision being made for their payment).

(c) Refundings of Other Parking-Related Obligations. Parity Obligations may be issued for the purpose of refunding Other Parking-Related Obligations upon such terms and conditions as the governing body of the City may deem in the best interest of the City.

(d) Maturity Date for Additional Parity Obligations. The principal of all additional Parity Obligations must be scheduled to be paid or mature only on August 15 of a given year, and interest must be scheduled to be paid or mature only on February 15 and August 15 of a given year.

SECTION 21. **NO SUPERIOR LIENS**. The City will not hereafter issue any additional bonds, notes, or other obligations or create or issue evidences of indebtedness for any purpose possessing a lien on the Gross Revenues superior to that to be possessed by the Parity Obligations. The City, however, retains the right to create and issue or incur Parity Obligations in accordance with Section 20 hereof and the right to create and issue or incur Subordinate Lien Obligations.

SECTION 22. **METHOD OF AMENDMENT**. The City hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The City may from time to time, with notice to each Credit Provider but without the consent of any Holder, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the Holders, (ii) grant additional rights or security for the benefit of the Holders, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and which shall not materially adversely affect the interests of the Holders, (v) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (vi) in connection with any other change (other than any change described in clauses (1) through (5) of subsection (b) below) with respect to which the City receives written confirmation from each Rating Agency that such amendment would not cause such Rating Agency to withdraw or reduce its then current rating on the Parity Obligations.

(b) Except as provided in paragraph (a) above, each Credit Provider and the Holders of Parity Obligations aggregating a majority in principal amount of the aggregate principal amount of then Outstanding Parity Obligations which are the subject of a proposed amendment or are affected by a proposed amendment shall have the right from time to time to approve any amendment hereto which may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the Holders in aggregate principal amount of the then Outstanding Parity

Obligations affected by such amendment, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or in any of the Parity Obligations affected by such amendment so as to:

(1) Make any change in the maturity of any of such Parity Obligations;

(2) Reduce the rate of interest borne by any of such Parity Obligations;

(3) Reduce the amount of the principal of, or redemption premium, if any, payable on any of such Parity Obligations;

(4) Modify the terms of payment of principal or of interest or redemption premium on such Outstanding Parity Obligations or any of them or impose any condition with respect to such payment; or

(5) Change the minimum percentage of the principal amount of the Parity Obligations necessary for consent to such amendment.

(c) Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of each Credit Provider and/or the Holders of the Parity Obligations, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) each Credit Provider, and (ii) the Holders (if the Holders of all Parity Obligations or at least a majority in aggregate principal amount of the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by each Credit Provider and the Holders of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Holders, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(d) No Holder may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

(e) Any consent given by the Holder of a Parity Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future Holders of the same Parity Obligation during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the Holder who gave such consent, or by a successor in title, by filing notice with the City, but such revocation shall not be effective if the holders of a majority in aggregate principal amount of the affected Parity Obligations then Outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purposes of establishing ownership of the Parity Obligations, the City shall rely solely upon the registration of the ownership of such Parity Obligations on the registration books kept by the Paying Agent/Registrar.

SECTION 23. **GENERAL COVENANTS**. The City further represents, covenants, and agrees that while any Parity Obligations or interest thereon is Outstanding:

(a) Payment of Parity Obligations. On or before each payment date the City shall make available to the Paying Agent for such Parity Obligations or to such other party as required by a ordinance authorizing the issuance of Parity Obligations, money sufficient to pay the interest on, principal of, and premium, if any, on the Parity Obligations as will accrue or otherwise come due or mature, or be subject to mandatory redemption prior to Maturity, on such date and the fees and expenses related to the Parity Obligations, including the fees and expenses of the Paying Agent and any Registrar, trustee, remarketing agent, tender agent, or Credit Provider.

(b) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each ordinance authorizing the issuance of Parity Obligations, and in each and every Parity Obligation or evidence thereof.

(c) Lawful Title. The City lawfully owns, has title to, or is lawfully possessed of the lands, buildings, and facilities now constituting the Parking System, and the City will defend said title and title to any lands, buildings, and facilities which may hereafter become part of the Parking System for the benefit of the owners of Parity Obligations against the claims and demands of all persons whomsoever.

(d) Lawful Authority. It is lawfully qualified to operate the Parking System and all services afforded by the City related thereto, and further to pledge the Gross Revenues and Pledged Funds herein pledged in the manner prescribed herein and has lawfully exercised such right. It will operate and continuously maintain the Parking System while any Parity Obligations are Outstanding and unpaid.

(e) Preservation of Lien; Maintenance of Parking System. It will not do or suffer any act or thing whereby the pledge of the Gross Revenues and Pledged Funds might or could be impaired, and that it will at all times maintain, preserve, and keep the real and tangible property of the Parking System and every part thereof in good condition, repair, and working order and operate, maintain, preserve, and keep the facilities, buildings, structures, and equipment pertaining thereto in good condition, repair, and working order.

(f) No Additional Encumbrance. It shall not incur additional Debt secured by the Gross Revenues in any manner, except as permitted by this Ordinance in connection with Parity Obligations, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Ordinance and any ordinance authorizing the issuance of Parity Obligations. Notwithstanding anything to the contrary contained herein, Gross Revenues not needed to pay the debt service on Parity Obligations and to maintain the funds and accounts established herein and to be established in each ordinance authorizing the issuance of Parity Obligations, and to pay debt service on Debt that is junior and subordinate thereto may be used by the City for any lawful purpose.

(g) Records. It will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the City. Each year while Parity Obligations are Outstanding, the City will cause to be prepared from such books of record and account an annual financial report of the City.

(h) Inspection of Books. It will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding principal amount of any series of Parity Obligations at all reasonable times to inspect all records, accounts, and data of the City relating to the Parking System.

(i) Determination of Outstanding Parity Obligations. For all purposes of this Ordinance, the judgment of the Designated Financial Officer shall be deemed final in the determination of which obligations of the City constitute Parity Obligations.

(j) Sale, Disposition, Encumbrance or Abandonment of Property. So long as any of the Parity Obligations remain Outstanding, the City will not sell, dispose of, encumber or abandon the Parking System or any substantial part thereof; provided however, that, subject to the provisions of Sections 29, 30 and 31 hereof, this covenant shall not be construed to prohibit the sale, disposition or abandonment in accordance with prudent business practices of (i) such machinery, equipment or other property of the Parking System (including surface parking lots) (A) which has become obsolete or otherwise unsuited to the efficient operation of the Parking System, or (B) which does not materially reduce the Net Earnings of the Parking System, or (ii) any other revenue generating facilities of the Parking System if (A) such facilities are replaced with other facilities which are projected by the Designated Financial Officer to produce revenues in substantially the same or greater amount as the replaced facilities after such new facilities have been in operation for a 12 month period, or (B) proceeds received from the sale, disposal or abandonment of such facilities are used to pay or defease Outstanding Parity Obligations.

APPENDIX C

The information contained in Appendix C consists of selected portions of the City's Annual Financial Report for the fiscal year ended September 30, 1999 selected by the City of San Antonio for inclusion herein, and is not intended to be a complete statement of the Issuer's financial condition. Reference is made to the Comprehensive Annual Financial Report for further information.

CITY OF SAN ANTONIO

P O BOX 839966
SAN ANTONIO TEXAS 78283-3966

January 26, 2000

To the Honorable Mayor and City Council:

It is my pleasure to submit the City of San Antonio's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 1999. Through our dedication and commitment to excellence, the City improved its financial position as evidenced by the increased rating from the nationally recognized rating agency: Fitch IBCA, Inc. from AA to AA+ in 1999. The City also maintained its bond ratings with Standard & Poor's Ratings which was upgraded to AA+ in 1998 and Moody's Investor Service at Aa2.

This report is prepared and presented by the City's Finance Department. Accordingly, the responsibility for the accuracy, completeness and fairness of the data and presentation, including all disclosures, rests with the City of San Antonio. The financial statements and supplemental schedules contained herein have been audited by the public accounting firms KPMG LLP, Garza/Gonzalez & Associates, and Robert J. Williams, CPA. As reflected in the City's independent auditors' report, the data in the CAFR, including the City's financial position, results of our operations, and the liquidity of its various funds and account groups is presented fairly in all material respects.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical.

- The Introductory Section contains the transmittal letter, a copy of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, City of San Antonio organizational chart, and a list of principal officials.

- The Financial Section includes the independent auditors' report, the general purpose financial statements, and the combining individual fund and account group financial statements.

- The Statistical Section consists of selected financial and demographic information presented on a multi-year basis.

In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133, and the State of Texas Single Audit Circular. The Independent Auditor's Report on the general purpose financial statements, combining and individual fund statements, and required disclosures and schedules are included in the Financial Section of this CAFR. The Independent Auditor's Report along with other required reports and schedules mandated by the Single Audit Act Amendments of 1996, OMB Circular A-133, and the State of Texas Single Audit Circular are in a separate document. The City prepares and submits recommendations on any single audit findings of noncompliance with applicable regulations for corrective action in order to achieve compliance in the future.

THE REPORTING ENTITY AND CITY SERVICES

Reporting Entity

The City of San Antonio is a home rule City that was incorporated in 1837 and chartered in 1951. It is structured as a Council-Manager form of government with a Mayor and ten Council Members each serving two year terms, limited to two concurrent terms. San Antonio is located in South Central Texas, approximately 75 miles south of the State Capital in Austin. It serves as the county seat for Bexar County, and as of September 30, 1999, its geographic area was approximately 417.1 square miles. The United States Census Bureau, cites the City of San Antonio as the eighth largest City in the country. The estimated population grew from 1,171,700 in calendar year 1998 to 1,192,300 in 1999, an increase of 1.76% or 20,600.

Pursuant to the reporting standards contained in Governmental Accounting Standards Board (GASB) Statement #14, "The Reporting Entity," other related entities are included in the Comprehensive Annual Financial Report as blended or discretely presented component units. Blended component units are those entities that are considered as part of the city's operations but are legally separate entities. Those entities are the City of San Antonio Health Facilities Development Corporation, the City of San Antonio Industrial Development Authority, the San Antonio Fire and Police Pension Fund, and the San Antonio Fire and Police Retiree Health Care Fund.

Entities that require discrete presentation are the San Antonio Development Agency (SADA), the City of San Antonio Higher Education Authority (CSAHEA), the Greater Kelly Development Corporation (GKDC), the San Antonio Housing Trust Foundation, Inc. (SAHTF), the San Antonio Local Development Company, Inc. (SALDC), the San Antonio Water System (SAWS) and City Public Service (CPS). SAWS and CPS are independently managed, municipally owned utility systems that operate under quasi-independent boards of trustees.

For additional details on each of these entities and the basis for their respective presentation in our financial report, please refer to the Financial Section, Footnote No. 1, entitled "Reporting Entity".

Services

The City of San Antonio provides a vast array of municipal services. These services include but are not limited to fire and police protection, street and sidewalk maintenance, libraries, parks, and solid waste disposal. In addition, the City maintains preventive health services, and facilitates economic and neighborhood development. These services are funded from various sources which include ad valorem taxes, hotel/motel tax, sales taxes, grants, user fees, revenues from municipally owned utilities, and bond proceeds.

City Public Service (CPS) provides electric and gas services through two coal fired and five natural gas fired plants. The City owned utility owns 28% of the South Texas Project nuclear plant on the Gulf coast and delivers natural gas through its 4,183 miles of 2 to 16-inch steel mains and 1¼ to 6-inch high density polyethylene (plastic) mains. In fiscal year 1999, CPS obtained its generation from the following sources: Coal, 47%; Nuclear, 33%; and Natural Gas, 20%. In May, 1998, CPS approved the construction of a new combined-cycle gas-fueled 512 MW power plant to be completed in the year 2000. CPS operations and debt service requirements for capital improvements are funded by revenue derived from charges to its customers. The City Charter requires that the rates for user charges, board appointments, sale of assets, and bond issuances be approved by the City Council. In this report, CPS is included as a discretely presented Proprietary Component Unit Fund. Additional information regarding CPS is discussed below in the section "Infrastructure and Development".

THE REPORTING ENTITY AND CITY SERVICES (Continued)

Services (Continued)

San Antonio Water System (SAWS) provides water, wastewater, chilled water and steam and reuse water services to the San Antonio area. SAWS is a City owned, separate consolidated entity that addresses water related issues in a coordinated and unified manner. SAWS operations, capital improvements, and related debt service requirements are funded by revenues from its customers. Similar to CPS, the City Charter requires that rates for user charges, board appointments, sale of assets, and bond issuances be approved by the City Council. SAWS is included as a discretely presented Proprietary Component Unit Fund, and it is discussed further in the "Infrastructure and Development" section below.

The San Antonio Development Agency (SADA) is responsible for the implementation of the City's Urban Renewal Program and may designate, for urban renewal, such areas as it deems advisable, subject to approval by the City Council and the federal agency that administers the overall program. A majority of SADA's funding is provided from the City as pass-through grants. The board of SADA is composed of seven members appointed by the City Council.

The City of San Antonio Higher Education Authority (CSAHEA) was established in accordance with State law for the purpose of providing assistance to non-profit institutions of higher education in providing educational and dormitory facilities. This corporation is authorized to issue revenue bonds for the purposes previously mentioned, but said bonds are not obligations of the City. The CSAHEA is governed by an eleven member Board of Directors appointed by the City Council for two year terms.

The Greater Kelly Development Corporation (GKDC) is charged with the task of all issues related to the closure, conversion, redevelopment, and future use of Kelly Air Force Base. The GKDC is also responsible for reviewing all options related to the most appropriate uses of the property on the base and surrounding areas. The GKDC is governed by a seven member Board of Directors appointed by the City Council.

The San Antonio Housing Trust Foundation, Inc. (SAHTF) was organized for the purposes of supporting charitable, educational and scientific undertakings, and to provide housing for low and moderate income families. The SAHTF is also responsible for the administration and operations of the City's Housing Trust Fund, established for the same purpose noted above. The SAHTF is governed by an eleven member Board of Directors appointed by the City Council.

The San Antonio Local Development Company, Inc. (SALDC) participates in the Neighborhood Business Revitalization Program (NBRP), which is co-sponsored by the Small Business Administration (SBA), the Economic Development Administration (EDA), and the U.S. Department of Housing and Urban Development (HUD). The SALDC administers and operates the NBRP revolving loan fund that provides qualifying local businesses with loans under economic development programs administered by the SBA. The SALDC also administers, by agreement with the City, a U.S. Department of Commerce Title IX revolving loan fund, and SBA MicroLoan Program. The SALDC is governed by a thirty-three member Board of Trustees, appointed by the City Council, and an eleven member Board of Directors appointed from the Board of Trustees.

ECONOMIC OVERVIEW

As a community, San Antonio has positioned itself for long-term growth and prosperity by successfully following a strategy to diversify its economy and improve quality-of-life for all citizens. City government has been integral in these efforts. It is undertaking on-going infrastructure improvements, neighborhood revitalization, and workforce development initiatives, as well as providing incentive, assistance and attraction

ECONOMIC OVERVIEW (Continued)

programs that are geared to businesses of all sizes. Both government and citizens are working toward increasing the caliber of educational and economic opportunities, expanding arts and leisure choices, revitalizing older neighborhoods, and planning for overall growth in San Antonio. In the wake of the North American Free Trade Agreement ("NAFTA"), San Antonio has been able to capitalize on international trade opportunities by becoming a distribution point and center for companies doing business in Mexico. San Antonio is the closest major U.S. city to Mexico's biggest markets, and it enjoys close cultural and business ties to that nation. San Antonio's leading industries include: biomedical research and health services, international trade and distribution, telecommunications, tourism, and financial services.

Employment Sectors

San Antonio's employment sectors (nonagricultural) distribution as of September, 1999, according to statistics provided by the Texas Workforce Commission, are as follows:

Industry Sector	Percentage of Total Employment	Jobs Gained/Lost (9/98 to 9/99)	%Increase/% Decrease (9/98 to 9/99)
Services	33.22%	17,200	7.86%
Retail & Wholesale Trade	23.80%'	3,500	2.11%
Government	18.69%	(2,500)	(1.85%)
Manufacturing	7.46%	700	1.34%
Finance, Insurance & Real Estate	6.69%	1,500	3.26%
Construction	5.31%	1,500	4.14%
Other	4.83%	0	0.00%
Total	100.00%	21,900	3.18%

The total number of San Antonio's nonagricultural jobs in September, 1999 was 710,500, a gain of 21,900 jobs (or 3.18%) over September 1998. The City's largest employment sectors are Services, Retail and Wholesale Trade, and Government, which comprise about 76% of the area's employment. The Services sector posted the greatest gain in sheer numbers and in terms of percentage growth. Within the Services sector, the largest gains continue to be in Business Services and Health Services. Those two sectors accounted for just over 36.99% (8,100 jobs) of the employment gains in San Antonio from September, 1998 to September, 1999.

The City's health care sector provides major health care services through its medical, research, education, and development facilities. The Greater San Antonio Chamber of Commerce, in its most recent Medical Impact Study, determined that the health care industry's impact on the City in 1998 was over $7.45 billion. The study concluded that the industry has had an average annual growth rate of 9.30% and employs approximately 101,250 employees. The South Texas Medical Center encompasses 45 separate educational, research and care facilities, including 12 major hospitals and the University of Texas Health Science Center (medical and dental schools). The total employment at the Medical Center numbers 26,515 people and its combined payroll, operations and research budget is $2.9 billion. Planned construction projects at the Medical Center for the next five years total another $231.5 million.

San Antonio has several distinguished centers of research, medicine and high-technology facilities. One such facility is the Southwest Foundation for Biomedical Research, which is one of the largest independent and internationally renowned, non-profit biomedical research facilities in the nation. Major research programs include cardiovascular diseases, infectious diseases including AIDS and viral hepatitis, the role of genetics in human diseases, respiratory diseases of the newborn, fetal growth and development, hormonal research, behavioral medicine, and cancer research. The Foundation has a current annual budget of $30 million and

ECONOMIC OVERVIEW (Continued)

Employment Sectors (Continued)

employs about 300 personnel. In April, 1999, the Southwest Foundation for Biomedical Research officially completed Phase I of a 10-year modernization program with the grand opening of its new virology and immunology laboratory complex. Another major biomedical research complex is the Texas Research Park, which has helped to launch 14 bioscience companies, two manufacturing plants and is the home of four research institutions, including the Cancer Therapy and Research Center's Institute for Drug Development (IDD). The IDD conducts the largest new drug development program in the nation and has worked on 8 of the last 11 approved anticancer drugs.

The hospitality industry represents another major component of the Services sector. San Antonio's natural, historic, cultural and recreational attractions have long made it one of the top vacation and convention destinations in the country. This has resulted in an increase in tourism activity, economic impact and employment opportunities related to the hospitality industry. The City's proactive management practices and marketing efforts resulted in approximately 1,510 conventions in 1999, with 938,945 associated room nights and an estimated economic impact of $449.9 million. The San Antonio Convention & Visitors Bureau (SACVB) has booked more than 1 million future convention room nights through 2015, a 24% increase over the past three years. Increased activity is also occurring in San Antonio's leisure travel market as evidenced by the SACVB posted gain of 17% in room-nights sold for tour and travel groups in 1999, and a 57% gain in the number of customer inquiries over 1998.

Significant hospitality industry developments include the grand opening of Phase I of the Henry B. Gonzalez Convention Center expansion project. Phase I encompasses a bright new addition to the center that is integrated into San Antonio's River Walk and the surrounding Hemisphere Park. Phase II will consist of improvements made to the existing convention facilities. The Convention Center project, which will double the size of convention and meeting room space, will be complete in 2001. Other major hospitality events include the opening of the 508 room Westin La Cantera Resort, additional attractions added to Six Flags Fiesta Texas theme park, and construction of the 474 room Westin River Walk, a full-service hotel that opened in the Fall of 1999.

The military continues to represent a principal component of the San Antonio economy. As of September 30, 1999, the military employed approximately 77,000 military, civilian and part-time reserve personnel with an aggregate payroll of approximately $2.59 billion. Five major installations comprise the military sector: Fort Sam Houston (including Brooke Army Medical Center) and Brooks, Lackland, Randolph, and Kelly AFBs.

Additionally, San Antonio's stature as a location for corporate headquarters is growing. SBC, Inc., a leading telecommunication business, has successfully used its San Antonio base for growing its business not only in the Southwestern and Western states, but also in the Northeast. United Services Automobile Association (USAA), a leading insurance agency, is undergoing a major expansion of its headquarter operations in the city and continues to be the city's largest private sector employer. New headquarters have also been built for San Antonio's two biggest energy companies, the Valeró Energy Corporation, which opened a major new office structure near downtown in 1999, and Ultramar Diamond Shamrock, which recently completed a campus-style headquarters near the University of Texas at San Antonio. Clarke American Checks, the third-largest producer of checks and financial forms in the country, with headquarters in San Antonio, expanded its local presence in 1999 with the addition of a major customer service center.

San Antonio is being recognized as a center for national and international business service operations. This is evidenced by companies such as CitiCorp, WorldCom, World Savings & Loan, QVC, Kraft, Providian Financial and other companies which have established substantial business operations in San Antonio that provide billing

ECONOMIC OVERVIEW (Continued)

Employment Sectors (Continued)

services, technical and communications services, financial work, customer service and other functions to their entire organizations.

Business Climate and Outlook

San Antonio's healthy economy and positive business climate are enhanced by elements key to continued economic growth, such as an advanced telecommunications system, significant recent accomplishments in the area of higher education, and strong workforce development programs. Also enhancing San Antonio's business appeal is the high quality-of-life the city offers and a cost-of-living that is 8.7% below the national average. San Antonians enjoy first-rate medical services, a convenient and efficient airport, an excellent highway system, mild weather, and superb recreation choices, including championship golf courses, theme parks, historical attractions, museums, professional sporting attractions and a lively performing arts environment.

The City's Economic Development Department, in coordination with the private, non-profit San Antonio Economic Development Foundation, continues to attract major corporations to the area and help local businesses expand. In 1999, approximately 5,680 jobs were created through economic development programs. Among the new companies that located in San Antonio is Amnitech, a partnership of two Singapore-based companies, which will manufacture computer components.

The Military Initiatives Division in the City's Economic Development Department (EDD) continues to focus on working with the Greater Kelly Development Corporation in the successful redevelopment of Kelly Air Force Base which is scheduled for closure and realignment in July, 2001. The Division is also working with community groups and the other military bases, such as Brocks AFB and Fort Sam Houston, to explore ways that the City can help these local installations become more cost efficient, preserve jobs and enhance economic development opportunities.

<u>Kelly Air Force Base</u>
In November, 1999, City Council approved the establishment of the Greater Kelly Development Authority ("GKDA"), as the local redevelopment authority for Kelly Air Force Base, in accordance with legislation that was passed during the 1999 State of Texas legislative session. The GKDA replaces the GKDC. Also, in November, 1999, City Council appointed new board members to the GKDA. The 1999 legislation remedied some of the deficiencies associated with setting up the former GKDC as a public, not-for-profit corporation under the Development Corporation Act. The transference of Air Force buildings and land at Kelly Air Force Base to the GKDA continues as the Air Force prepares for base closure scheduled for July, 2001. By December, 1999, GKDA had assumed control of over 6 million square feet of Air Force facilities and was providing facility support services to East Kelly and most of main Kelly through a cooperative agreement with the Air Force. As of December, 1999, GKDA had secured 12 commercial tenants providing over 4,000 jobs. The primary anchor tenants at Kelly include the Boeing Cómpany and Lockheed-Martin, two of the world's major aviation industry players. On February 20, 1998, the Boeing Company announced its intent to create a new aircraft maintenance and modification business at Kelly and to set up operations in facilities vacated by the transfer of C-5 maintenance workload to Warner Robins AFB, Georgia. Boeing set up operations in August, 1998 and by December, 1999, had created over 1,500 jobs, with employment projected to reach 2,000 by the close of the year 2000.

In 1998, the Air Force conducted a major public-private competition for depot maintenance work involving the Jet Engine Propulsion Business Area (PBA), affecting approximately 3,000 jobs. On February 12, 1999, the Air

ECONOMIC OVERVIEW (Continued)

Business Climate and Outlook (Continued)

Force announced that this contract was awarded to the public bidder, Oklahoma City Air Logistics Center (ALC) and its primary partner, Lockheed Martin Corporation. Lockheed and its commercial partners retained over 1,450 jobs at Kelly to perform its portion of the PBA workload.

In addition to Boeing and Lockheed, another major tenant in place on Kelly is the Kelly Distribution Center, an EG&G company. This company received a contract from the Defense Logistics Agency (DLA) and assumed control over the drawdown of over $7 billion in government warehouse inventory on Kelly in March, 1998, preserving approximately 250 Kelly jobs. As the government inventory is disposed from existing DLA facilities, EG&G is focusing on securing commercial business to continue and expand its warehouse operations, thus adding more job opportunities. As of December, 1999, EG&G's warehouse operations had grown to 345 jobs.

Other major commercial tenants on Kelly as of December, 1999 include Pratt & Whitney, Ryder Integrated Logistics, Railcar Texas, General Electric, and MQS Inspections, Inc.

GKDA also initiated the design and construction of two new facilities in 1999 with occupancy scheduled for Summer/Fall 2000. One facility already under construction, is an 80,000 square foot administration building located at the main entrance to Kelly AFB. The other new facility, currently under design, is a 170,000 square foot logistics distribution warehouse to be constructed in the Warehouse/Distribution area. These two new facilities will be used to attract additional tenants and will provide necessary infrastructure improvements called for in the Kelly Master Plan. GKDA is also working with Boeing on a potential expansion of operations in year 2000 that if performed at Kelly, would require construction of a new hangar and modification of some existing facilities. Taking this potential expansion into consideration, Boeing could create another 1,000 jobs over the next two years.

Brooks Air Force Base Initiatives
Over the past two years a Brooks Opportunities Task Force and two advisory committees (Property Development and Partnerships) focused on planning the future of Brooks AFB in the San Antonio community. The primary focus has been on retaining over 4,000 jobs at Brooks, making Brooks more cost efficient and enhancing economic development opportunities for the surrounding community. These joint planning efforts resulted in the Air Force securing legislation in October, 1999 authorizing the establishment of a pilot program at Brooks aimed at reducing costs through an initiative called the "City Base." The City Base concept allows an opportunity to diversify the base and to enter into long-term contracts with private businesses, universities and other entities.

In November, 1999, City Council approved the Mayor's Brooks Property Development Committee to proceed in negotiating with the Air Force to transfer Brooks property to the City with a lease back of property to the Air Force. Under this scenario, the City would assume ownership of the base, provide municipal services and retain a third-party property manager/developer. This action has the potential to save the Air Force between 40-50% in base operating support costs. Over the next 12 months, City staff will be working with the Air Force to construct a negotiated conveyance agreement that can be presented for approval to City Council and the Secretary of the Air Force.

Fort Sam Houston has also initiated activities to reduce infrastructure costs and pursue asset management opportunities. Fort Sam Houston has announced plans to partner with a private developer in building a business plan for more efficient utilization of assets on the installation, specifically two vacant facilities totaling approximately 500,000 square feet. The City is also a partner in this initiative to ensure compatibility with community development needs and goals.

ECONOMIC OVERVIEW (Continued)

Business Climate and Outlook (Continued)

Aviation Industry Development
The City of San Antonio possesses three airport facilities: San Antonio International Airport, Stinson Municipal Airport and Kelly Air Force Base. The International Airport and Stinson Airport are owned by the City and operated by the City's Aviation Department. Kelly Air Force Base is in the process of transition from an Air Force facility to the GKDA economic development facility. These airport facilities provide San Antonio with a variety of property, facilities and assets that comprise the nucleus for a viable and expanding aviation industry. The City, in coordination with GKDA, the City's Economic Development Department, the San Antonio Economic Development Foundation and the San Antonio Free Trade Alliance are currently developing a comprehensive strategic plan for the utilization of San Antonio's aviation facilities to maximize economic development opportunities. This plan will integrate San Antonio's primary aviation facilities into a coordinated system that will capitalize on market opportunities relating to air cargo operations, aircraft modification, maintenance and manufacturing, and general aviation. The strategic plan will also address complementary and/or unique business opportunities for each facility, including a recommended strategic direction, and provide an implementation plan to guide economic development efforts over the next ten years.

High-Tech/Bioscience Industry Development
The City of San Antonio is in the process of hiring a consultant to conduct a study that will determine strategies to grow and enhance the City's capacity for technology innovation and commercialization. The purpose of the study is to guide economic development efforts in the technology sector that will allow San Antonio to capitalize on market opportunities and competitive advantages in the targeted bio-science/high-tech industries, including bio-science, computer hardware and software and e-commerce industries. A Technology Advisory Committee of community stakeholders, which represents all segments of San Antonio's technology industry, was established to assist staff in developing the request for proposal and review and evaluation of proposals submitted. The scheduled completion date for the study is June, 2000.

New Business Prospects
The San Antonio Economic Development Foundation, Inc., reported in the Quarterly Report ending August 31, 1999, that 94 new business prospects had been identified since September 1, 1998. This compares to 104 new business prospects for the fourth quarter ending August 31, 1998. These new businesses are categorized as business services and insurance, fabricated metal products, industrial machinery, electronics, nondurable distribution, rubber and plastic products durables distribution and other.

Downtown Development Projects
At the end of fiscal year 1999, there were sixty downtown development projects identified. These included public and private projects and varied in developmental stages from conceptual to completed. A major private/public economic development plan includes in excess of $100,000,000 of private and public improvements to be made to a section of the central business district's Houston Street. Public improvements include, among other things, riverwalk, street, sidewalk, landscaping and pedestrian way improvements. Private improvements include renovations to eight buildings located on Houston Street as well as soliciting new entities to locate in this area. The planned private developments include hotels, specialty retail outlets, restaurants, office space, housing units, clubs and other venues. In addition to the aforementioned improvements, the City plans to construct a 716 space multi-level parking garage in the area of Travis and St. Mary's streets.

International Trade
The Directory of San Antonio Exporters and Support Organizations (published by the City's International Affairs Department) has identified over 700 local companies that export to other nations or provide export assistance. During 1999, the International Affairs Department worked with 149 international delegations which included

ECONOMIC OVERVIEW (Continued)

Business Climate and Outlook (Continued)

2,455 delegates that visited the City. Delegations represented South Africa, Spain, Germany, Korea, Taiwan, Mexico, India, Singapore, France, The Netherlands, Norway, Uzbekistan, Chile, Argentina, Turkey, Ireland, the Canary Islands, Russia, Belgium, Luxembourg, Mozambique, and Malaysia. The value of exports has increased from $563.9 million in 1993 to $1,640.8 million in 1998, the most recent year for which such information is available. Another component of the City's international trade is the activity of the North American Development Bank ("NADBank") which is located in San Antonio. The International Affairs Department Annual Report for fiscal year 1999 cites NADBank activity since its establishment as having authorized loans, guaranties and/or border environment infrastructure fund grants totaling approximately $140 million to partially finance seventeen infrastructure projects. These projects will present a total investment of approximately $500 million benefiting an estimated five million residents in the United States and Mexico. Four additional projects are in the design stage which represent an approximate investment of $105 million and will benefit an estimated additional 1.2 million people. NADBank's participation in these projects is estimated at $38 million. The NADBank is involved in ninety-nine projects which will assist seventy-one communities.

Infrastructure Development

The City recognizes its obligation to address infrastructure needs and to provide the services required to maintain and continuously improve the living standards of its citizens. Infrastructure, the basic framework or underlying foundation provided by government to support a community's basic needs, including its various components that ensure economic activity, safety, education, and quality of life, are discussed below.

Basic Infrastructure Components

Street/Highway System:
San Antonio is located at the crossroads of two important highways – IH-10 (running east-west) and IH-35 (running north-south) – and is located mid-way between the East and West Coasts. San Antonio's highway system, consisting of approximately 3,716 street miles, facilitates the movement of commerce within and through the City. Freeway arteries that intersect the downtown business district include IH-10, IH-35, IH-37, US-90, and US-281. There are 3 freeway loops including a downtown loop, Loop 410, and an outer loop, Loop 1604. Recently completed or ongoing improvements include the expansion of IH-10 between Loop 410 and Loop 1604, the widening of segments of Loop 1604, the construction of new interchanges of Loop 410 and IH-10, and a new transportation corridor, the Wurzbach Parkway. The Texas Department of Transportation's Trans Guide or "smart highway" project went on-line in San Antonio in July, 1995, with ongoing additional expansions and equipment updates. This traffic management system utilizes high speed computer technology to inform drivers about traffic conditions ahead, thereby enhancing safety, reducing congestion, and providing for more efficient traffic flow. Additionally, the Texas Department of Transportation is currently planning the construction of a four-level Loop 410/US-281 interchange.

Public Safety:
The City continues to promote and provide for its Public Safety infrastructure by allocating funding through the budget process for police, fire and emergency medical service (EMS). As of September 30, 1999, Public Safety Infrastructure included, 6 police stations, 47 fire stations which house 45 engine companies, 17 truck companies, 1 quint, 7 brush trucks, 8 Fire command units, 5 EMS command units, 23 full-time EMS units and up to 10 peak period units.

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Public Safety (Continued):

Vision 2001, a comprehensive five-year strategic plan augmented with the Management Accountability Program, continues to provide the guidance for advancement in public safety. This plan is goal oriented and focuses on enhanced enforcement programs, training, support services, human resource management, and equipment and technological initiatives whose focus is improved service delivery. During the year, a substantial portion of the construction for an improved Dispatch Facility was completed. Funded with 1998 Certificates of Obligation, the new facility will accommodate the requirements for a new public safety radio system currently under design and scheduled to commence construction in fiscal year 2000. Crime, a significant indicator of the City's quality of life, declined again in 1999 while the Department continued to pursue enhanced community oriented policing strategies.

The 1998 Certificates of Obligation also provided the initial capital to begin the Field Entry Reporting System (FERS) pilot program. Once fully implemented, FERS will allow officers to file their reports electronically using a mobile laptop computer in patrol cars. As a result, crime information will be available to investigation detectives much more rapidly. More importantly, the system will save officers valuable time and make them available for more proactive community policing initiatives. The Police Departments Web Page received the National League of Cities Excellence in Community Policing Award for its design and access to crime data. The most significant accomplishment for the department occurred in May when it received its accreditation certificate from the National Commission on Accreditation for Law Enforcement Agencies. This honor provides objective evidence of an agency's commitment to excellence in leadership, resource management, and service delivery. The department has also restructured by reducing the number of divisions from four to three. The reorganization realigned functions to streamline command channels, provide career enhancement opportunities for upper level command staff, and improve operating efficiency and effectiveness.

With regard to Fire and EMS services, FY 1999 included the continued implementation of the Fire Department Master Plan, a five year rolling plan of comprehensive improvements targeted to enhance fire suppression, fire prevention, and emergency medical services. Improvements implemented included the opening of a temporary fire station in the newly-annexed Crownridge/IH10 area, the implementation of four-person manning on a minimum of 36 pumpers (out of 45 front-line pumpers), the replacement of various fire vehicles including 4 pumpers, 2 aerials, one brush truck and four ambulances; the addition of a brush truck to the fire fleet; and the purchase of 40 pen tablet computers for the EMS Case Reporting System which will be used to provide trauma information electronically to the Texas Trauma Registry.

The City Council approved a collective bargaining agreement with the San Antonio Police Officer's Association on November 23, 1999. The term of the contract is from November 23, 1999 through September 30, 2002, with an evergreen clause through September 30, 2012. The projected fiscal impact of the four-year agreement is $43.223 million.

The City Council approved a collective bargaining agreement with the International Association of Fire Fighters Local 624 on September 30, 1999. The term of the contract is from September 30, 1999 to September 30, 2001, with an evergreen clause through September 30, 2011. The projected fiscal impact of the three-year agreement is $15.719 million.

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Parks and Recreation Department:
As of September 30, 1999, the City's Parks and Recreation infrastructure included over 165 neighborhood, community and large urban parks, numerous sports complexes, 25 recreation centers, 23 swimming pools, and other special facilities, such as the River Walk, Botanical Gardens, Tower of the Americas, Spanish Governor's Palace, Market Square and La Villita. The total park area covers 7,565 acres. During fiscal year 1999, approximately 21 Parks and Recreation capital improvement projects were completed at a cost of over $3.1 million, and an additional 78 Parks and Recreation capital improvement projects were initiated. In January 1999, City Council adopted the "Parks and Recreation System Plan", which sets forth goals and general recommendations for both programming and projects. The Council also adopted the performance review and long range plan for Golf Operations.

Planning Department:
In FY 1999, budget appropriations were made for the Neighborhood Challenge Program. The Challenge Program provides neighborhood-based organizations the opportunity to implement small, public improvement projects in partnership with private groups. Individual neighborhood projects are allotted a minimum of $2,500 up to a maximum of $5,000 in City funds to be matched equally by a private source of funds, labor, or in-kind contributions. A total of $89,100 was awarded to 22 projects through this program in FY 1999. It is anticipated that most of these projects will be completed by November, 2000.

The Planning Department has secured the services of Freilich, Leitner and Carlisle of Kansas City, Missouri (FLC) to assist City staff in updating the Unified Development Code (UDC). Updating the UDC will involve enhancing the land use policies of the City to meet the needs of the future. Objectives of the revision include reduction in urban sprawl, better management and conservation of natural resources, increased emphasis on urban design standards, facilitation of inner city redevelopment, recognition and preservation of older neighborhoods, renewed emphasis on public parks and improved traffic circulation.

Library Facilities:
The San Antonio Public Library System consists of a Central Library facility, 18 branches, and 3 bookmobiles. In addition, during FY 1999-2000, a joint use public library branch was opened at the Ronald Reagan High School Library under a partnership agreement between the City of San Antonio and Northeast Independent School District. The Central Library, nine of the branch libraries and Ronald Reagan High School Library offer weekday and weekend service, while the remaining Library branches are open weekdays and Saturday. During fiscal year 1999, approximately 3 million people visited Library facilities and approximately 3.9 million items were circulated. The Central Library encompasses 240,000 square feet, including an art gallery, study and meeting rooms, and an auditorium for up to 150 people. Public accessibility is accommodated by the use of mass transit and a parking garage with parking capacity for 420 vehicles. The Library system also features "state of the art" computer technology, including an on-line public access catalog, Internet access, CD ROM databases and encyclopedias, and online periodicals and newspapers.

Airport System:
The Airport System consists of the San Antonio International and Stinson Municipal Airports. San Antonio International is located on approximately 2,600 acres of land adjacent to Loop 410 and US 281, and is 8 miles from downtown San Antonio. The International Airport has three runways with the main runway measuring 8,502 feet and can accommodate the largest commercial passenger aircraft. Its two terminal buildings contain 28 gates. Presently, domestic air carriers providing service to San Antonio are American Airlines, America West,

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Airport System (Continued):

Atlantic Southeast, Continental, Delta, Midwest Express, Northwest, Southwest, Sun Country, United and TWA. Mexicana, Aerolitoral and Aeromar are Mexican airlines that provide passenger service to Mexico. Architectural plans and specifications have been developed for adding an eight gate concourse to Terminal I as the need arises. The Airport Master Plan Design allows for an increase from twenty-eight to sixty gates. It is estimated that current gate facilities are being used at 75% of capacity. A variety of services are available to the traveling public from approximately 245 commercial businesses including nine rental car companies which lease facilities at the International Airport and Stinson Municipal Airport. In addition to passenger service, cargo activity has increased 50% during the last two years.

The terminal buildings are scheduled for renovation to include an upgrade in amenities as well as the redevelopment of all concessions. The estimated cost of the improvements is $30 million. Additionally, in conjunction with the Texas Department of Transportation, it is anticipated that construction of a new exit ramp from US-281 directly into San Antonio International should begin in early 2000.

A number of major tenants at San Antonio International are expanding business operations. Among these are Fairchild Aerospace with a $11 million wing assembly facility for its 328 jets. Dee Howard Aircraft Maintenance business and several cargo carriers such as Eagle USA and UPS plan expanded facilities. It is expected that approximately 500 to 600 new jobs will be created as a result of these and other tenant expansions.

Stinson is one of the oldest continuously operated airfields in the United States. It primarily serves general aviation and operates as a reliever airport to San Antonio International. The number of aircraft operations has significantly increased over the last two years. A new Airport Master Plan will be developed to help accommodate current and future growth.

In July, 1996, the City sold $38 million Airport System Improvement Revenue Bonds, Series 1996, of which approximately $33 million was utilized for a new long-term parking garage, as well as a new exit plaza, additional surface parking and roadway improvements. The parking expansion program was completed in Summer, 1999 and provides approximately 6,200 public parking spaces and 1,000 employee parking spaces.

Electric and Gas System:
City Public Service (CPS) is one of the nations largest municipally owned utilities in the country and serves approximately 550,000 customers throughout its 1,566 square mile service area. CPS generates power for its customers at two coal and five natural gas-fired power plants with 4,183 miles of gas lines that supply 302,000 natural gas customers in the San Antonio urban area. Last year, CPS obtained its generation from the following sources: Coal, 47%; Nuclear, 33%; and Natural Gas, 20%. In 1998, CPS began construction on a new 512 megawatt gas-fueled combined cycled power plant, which is expected to be in operation in fiscal year 2001. CPS also owns 28% of the South Texas Project nuclear plant on the Texas Gulf coast.

To the citizens' benefit, CPS rates are lower than any major Texas city and among the lowest in the nation. The average CPS residential gas and electric bill ranked lowest among the 20 largest cities in the United States for fiscal year 1998-99. In addition, CPS has returned approximately $145.17 million to the City of San Antonio for the fiscal year ended 1999.

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Waterworks, Wastewater and Water Reuse System:
The City's waterworks system, initially acquired in 1925, was included in a consolidation on May 19, 1992, of all City owned water related utilities including water, wastewater, and water reuse systems. This consolidation created the San Antonio Water System (SAWS), which now provides water and wastewater service, through 8,565 miles of water and sewer mains. At the end of September, 1999, SAWS had 285,123 residential, commercial, and industrial water customers.

Housing and Neighborhood Development:
The City of San Antonio continues to address the need for affordable housing and revitalized infrastructure through administration of programs such as Neighborhood Sweeps, Affordable Parade of Homes, Rental Rehabilitation and Tax Increment Financing.

The Neighborhood Action Department completed 24 targeted Neighborhood Sweeps in FY 99. The sweeps are designed to bring a comprehensive array of City and other partner services directly into a neighborhood of 50-60 blocks for a two-week period of time. The services provided include code compliance investigations, brush and rubbish collection, street scraping/sweeping, street and pothole repair, graffiti abatement, traffic sign replacement, animal and vector control, repairing and maintenance of park facilities. This program was named as a finalist in the 1999 Ford Foundation Innovations in American Government Program. In September, 1999, the program also received the Program Excellence Award for Innovations in Local Government Management from the International City/County Management Association.

The Affordable Parade of Homes program has received notable attention as the flagship of public/private partnership success in providing affordable homes for San Antonio's low and moderate income families. This year represented the fourth year the program has successfully nurtured the establishment of homes and highly regarded infrastructure out of land previously not contributing to the City's tax roll.

Tax Increment Financing.
During 1998, City Council approved an ordinance which established "Guidelines and Criteria" for the utilization of "Tax Increment Financing" ("TIF") and the creation of tax increment reinvestment zones pursuant to Chapter 311, Texas Tax Code. TIF is a local development financing tool which allows cities to finance redevelopment, economic development and housing projects by capturing the additional property tax values generated by the improvements made in the designated area. During fiscal year 1999, the City created four Tax Increment Reinvestment Zones ("TIRZ") for public improvements to be made in residential areas. Subsequent to September, 1999, the City created two additional TIRZ for residential purposes and one TIRZ for commercial development purposes. Since 1998, the City has taken action to create seven TIRZ.

Community Initiatives Department:
San Antonio's vision for tomorrow is to become the home to a well-educated population with the life skills and work skills necessary to succeed at higher level jobs. San Antonio is a place sought out by employers needing a well trained, skilled workforce. Coordinated efforts by the City and the community will continue to make San Antonio a leader in human development and job development.

To help residents improve their literacy and leadership skills, the Literacy Services Division (LSD) operates seven learning and leadership development centers throughout the City. Through collaboration among the City,

ECONOMIC OVERVIEW (Continued)

Infrastructure Development (Continued)

Basic Infrastructure Components (Continued)

Community Initiatives Department (Continued):

the Texas Education Agency, area school districts, and the private sector, these centers provide free classes in Adult Basic Education, English as a Second Language, GED Preparation, Citizenship, and Leadership Development.

Medicine and Healthcare:
The City is cognizant of the importance of, and continues to support, its Medical infrastructure. The City is actively involved in promoting the industry, recognizing its significance to San Antonio and its citizens. Major medical facilities located in San Antonio include the University of Texas Health Sciences Center at San Antonio, Wilford Hall Medical Center (United States Air Force), Brooke Army Medical Center which is a world renowned burn treatment center, and the South Texas Medical Center.

The San Antonio Metropolitan Health District consists of a Main Health Department, 29 clinic/sites, 1 WIC Mobile Unit and an Animal Control Facility. It provides for preventive health services, health code enforcement, clinical services, environmental monitoring, animal control, disease control, health education, dental health and maintenance of birth and death certificates.

Supporting Infrastructure Components

Convention Center Expansion:
The Convention Center Expansion Project continued throughout FY 1999. This project is financed from the proceeds of Hotel Occupancy Tax Revenue Bonds sold in March of 1996, whose debt service payments are paid from the collection of a 2% Hotel Occupancy Tax. This construction represents the first major expansion and improvement of the Henry B. Gonzalez Convention Center since 1987. The Convention Center was originally built in 1968 for the San Antonio Worlds Fair, HemisFair. The Convention Center is located within the downtown area of San Antonio and is within walking distance of numerous hotels, retail shops, restaurants, historic amenities, and the City's Riverwalk.

On August 28, 1999, the project celebrated its first phase grand opening. The first phase consisted of adjacent exhibition space of 200,000 square feet, and the addition of approximately 83,000 square feet of meeting rooms and a 40,000 square foot ballroom. The renovation of the existing facility and river extension will be substantially completed during calendar year 2000 and will be ready to accommodate customers in 2001 bringing the total Convention Center to 1.3 million square feet. As a result of the expansion, the Henry B. Gonzalez Convention Center will move from 22nd to 17th in available convention exhibit space.

Alamodome:
The Alamodome is a 65,000 seat multi-purpose sports, entertainment, and convention facility. Since its opening in May 1993, it has held more than 640 events and has hosted over eight million visitors. The Alamodome has enhanced San Antonio's ability to attract major public sporting and entertainment events. It ranked third in a list of Top Ten Stadiums in North America and sixth in the world for gross ticket sales generated from concerts in 1998, according to Amusement Business Magazine.

ECONOMIC OVERVIEW (Continued)

Supporting Infrastructure Components (Continued)

Alamodome(Continued):

The Alamodome experienced record event attendance for 1999. During the year, some highlighted events included hosting the Beastie Boys concert to a record crowd of over 20,000 fans, a locally sponsored Winter Jam concert with over 30,000 fans, and over 52,000 fans attended a monster truck show. During the NBA lock-out in the 1998-1999 basketball season, revenue losses were mitigated by hosting over 20 high school football games which produced over 120,000 visitors and net revenues in excess of $200,000.

The Alamodome maintains a strong reputation as a venue capable of hosting major events. As a result, the diversity of events that are brought to San Antonio continues to expand. The NCAA will again host the Men's Midwest Regional Basketball in March, 2001 and the Men's Final Four Basketball Tournament in 2004. Other future events include the NCAA Women's Final Four in 2002 and the Rotary International Convention in 2001.

Nelson W. Wolff Municipal Stadium:
The Nelson W. Wolff Municipal Baseball Stadium opened in April, 1994 and has a seating capacity of 6,500. It has multi-purpose design which allows for events such as professional baseball, boxing, high school, college, and amateur sports and concerts. The stadium is home to the San Antonio Missions, an AA Los Angeles Dodgers affiliate. The stadium hosted its first professional baseball exhibition game in April, 1999 between the Houston Astros and the Detroit Tigers which played before a capacity crowd.

Other Amenities:
The City supports and promotes various other tourism and quality-of-life amenities, including performing arts and cultural entertainment and facilities, museums, the San Antonio Zoo, and the preservation of the Alamo, as well as enterprises such as Sea World of Texas, and Six Flags Fiesta Texas. The City also provides support and funding for cultural organizations, from dance performance companies to the Symphony Society of San Antonio, and for facilities including the Witte Museum, the San Antonio Museum of Art, the Southwest Craft Center, the Carver Community Cultural Center, and the Guadalupe Cultural Arts Center.

In addition, San Antonio is home to various professional sports teams including the San Antonio Iguanas Hockey team, the San Antonio Spurs; and the San Antonio Missions. San Antonio is also host City to the annual Westin Texas Open PGA Tour Event, and to the annual Senior PGA Tour Event played at the Dominion Country Club.

International Outlook

In a new international initiative, the City of San Antonio's International Affairs Department is creating an economic development program to focus on small to medium size San Antonio companies that have a high potential and strong commitment to develop and expand international markets. The San Antonio Export Leaders Program is a competitive program that will offer the tools, training, consultation and coaching necessary for about 20 companies to be successful in exporting and offer the participants a new export experience.

San Antonio continues to develop itself as an INLAND PORT for imports and exports to/from Mexico, Latin America and other regions of the world. This encompasses transportation, manufacturing and logistics facilities, professional services and value-added services involved in producing, marketing and moving freight within, into and out of the San Antonio area. Over the past nine years, the City of San Antonio has operated (3) commercial trade offices in Mexico's three largest cities; Mexico City, Guadalajara, and Monterrey. The trade office in Mexico City has expanded to seven southeastern Mexican states of Oaxaca, Chiapas, Quintana Roo, Veracruz, Campeche, Tabasco and Yucatan.

ECONOMIC OVERVIEW (Continued)

International Outlook (Continued)

The City's commitment to international trade is evidenced in the City's new International Center which houses the North American Development Bank, International Conference Center, The Trade Commission of Mexico, Mexican State Trade Office, the Free Trade Alliance, the U.S. Department of Commerce, the City's International Affairs Department and the Convention & Visitors Bureau.

MAJOR INITIATIVES

The adopted consolidated annual budget for fiscal year 1999-00 totals $1.099 billion. The budget continues to build up basic services in the community while addressing critical priority initiatives of the City Council as expressed in the 1999 Goals and Objectives Worksession. The General Fund budget did not require an increase in the property tax rate for the seventh consecutive year, and increased the Reserve for Revenue Loss by $1.7 million to $20.868 million at the end of fiscal year 2000. The General Fund budget expenditures and transfers totals $530.5 million for 2000, representing an increase of 5.92% over the previous year. For the tax roll year 1999 (fiscal year 2000), the total adopted tax rate of $0.57979 remained unchanged in total from the prior year. The Fiscal Year 2000 tax rate is now comprised of $0.34579 per $100 valuation (the same as the prior year) for the maintenance and operations component, and $0.23400 per $100 valuation (the same as the prior year) for the debt service component.

The adopted 2000 budget focused on program improvements to enhance City services. Some of the City Council's high priority program improvements include $2.1 million for Development Services/Code Compliance Performance Review, $3.45 million for Better Jobs Program/Human Development Initiatives, $3.2 million for Public Safety Master Plans – Vision 2001, Police Staffing Plan and the Fire Master Plan, $548,328 for the 1999 bond program implementation, and $2.93 million in enhancements for inner city initiatives as recommended by the Community Revitalization Action Group (CRAG).

Budgetary Controls

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. For the fiscal year beginning October 1, 1998, The Government Finance Officers Association of the United States and Canada ("GFOA") presented an award of Distinguished Budget Presentation to the City of San Antonio.

FINANCIAL INFORMATION

Activities of the General Fund, the Special Revenue Funds (excluding the Home Program, Categorical Grants-in Aid, Housing and Urban Development 108 Loan Program, Community Development Block Grant Program, which are budgeted on a grant year basis; the San Antonio Industrial Development Authority, and the San Antonio Health Facilities Development Corporation, which are blended component units) and the Debt Service Funds, are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established by function and activity within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Encumbered amounts lapse at year-end, however, encumbrances generally are appropriated as part of the following year's budget.

FINANCIAL INFORMATION (Continued)

As demonstrated by the statements and schedules in the Financial Section of this report, the City continues to meet its responsibility for sound financial management. As in the Financial Section, all monetary amounts presented in the remainder of this letter are expressed in thousands, except where noted.

Year 2000

The City's efforts toward year 2000 compliance have been in process for several years as part of its normal business operations. A year 2000 compliance team was assembled to facilitate year 2000 compliance with the files, programs, and computer hardware located in each department. The City worked in coordination with Bexar County, CPS, SAWS, State Agencies, and other business partners to develop contingency plans and provide information to increase public awareness. The City's mission critical systems have been year 2000 compliant since January, 1999. Distributed systems and embedded systems are also year 2000 ready. In addition, the City undertook an independent year 2000 risk assessment conducted by outside auditors which resulted in a rating of "exemplary in its efforts to address year 2000 issues". The Center for Y2K and Society has also chosen to award the City an A+, based on the City's responses to the Center's survey. No significant problems occurred on January 1, 2000 or thereafter. The City continues to evaluate risk factors through the remaining critical dates such as leap year.

Funds and Accounting Overview

GENERAL GOVERNMENT FUNCTIONS

Activities of the Primary Government's General Fund, Special Revenue Funds, and Debt Service Funds are considered general government functions. The General Fund is the City's general operating fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted as to expenditure. The Debt Service Funds are used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations.

The following schedule presents a summary of General Fund, Special Revenue Funds, and Debt Service Funds revenues for the fiscal year ended September 30, 1999, and the amounts and percentages of increases and decreases as compared to the prior year.

Revenues and Other Financing Sources	Amount	Percent of Total	Increase (Decrease) from 1998	Percent of Increase (Decrease)
Taxes	$ 375,551	40.62%	$ 21,643	6.12%
Licenses and Permits	12,164	1.32	1,004	9.00
Intergovernmental	152,839	16.53	36,277	31.12
Revenues from Utilities	149,956	16.22	(878)	(.58)
Charges for Services	60,196	6.51	(350)	(.57)
Fines and Forfeits	11,838	1.28	313	2.72
Miscellaneous	35,046	3.79	7,421	26.86
In-Kind Contributions	7,500	0.81	(12,832)	(63.11)
Transfers-In	92,359	9.99	2,966	3.32
Proceeds of Bond Issuance	27,100	2.93	(37,107)	(57.79)
Totals	**$ 924,549**	**100.00%**	**$ 18,457**	

(Monetary Amounts Are Expressed in Thousands)

FINANCIAL INFORMATION (Continued)

Funds and Accounting Overview (Continued)

GENERAL GOVERNMENT FUNCTIONS (Continued)

Revenues from taxes increased by $21,643 which was primarily attributable to: (1) a $7,481 or 6.29% increase in sales tax revenue for the General Fund, (2) a $1,868 or 9.60% increase in revenue from franchise agreements for the General Fund, and (3) a $11,189 or 6.49% increase in Ad Valorem tax collection for the General Fund and Debt Service funds as a result of increased property valuation, new construction, and annexation. The increase of $1,004 of License and Permit Revenue is essentially the result of a 13.06% or $1,011 increase in revenues associated with Building and Equipment Permits. Intergovernmental Revenues increased by $36,277 or 31.12% which is principally attributable to an increase in the recognition of revenues in the Categorical Grant-In Aid Fund of $21,287, Community Development Block Grant Program of $2,327, and HUD 108 Loan Program of $11,149.

The increase in Miscellaneous Revenue is primarily attributable to additional revenues of $3,504 in the Confiscated Property Special Revenue Fund.

The significant decline in In-Kind Contributions revenue is largely attributable to the completion of Texas Department of Transportation projects that generated $8,725 of in-kind contributions in FY 98. Other notable decreases in In-Kind Contributions from 1998 to 1999 include a decrease of $3,084 of contribution in the Parent Child Inc., Program reported in the Categorical Grant-In Aid Fund.

The decrease in Proceeds of Debt Issuance in the amount of $37,107 is attributable to the issuance of fewer refunding obligations during fiscal year 1999, as compared to fiscal year 1998. For further discussion on these refunding transactions, see Note 6., "Long-Term Debt".

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(Monetary Amounts Are Expressed in Thousands)

FINANCIAL INFORMATION (Continued)

Funds and Accounting Overview (Continued)

GENERAL GOVERNMENT FUNCTIONS (Continued)

The following schedule shows the Primary Government's General Fund, Special Revenue Funds and Debt Service Funds expenditures for the fiscal year ended September 30, 1999, and the amounts and percentages of increases or decreases from the prior year.

Expenditures and Other Uses	Amount	Percent of Total	Increase (Decrease) from 1998	Percent of Increase (Decrease)
General Government	$ 50,711	5.51%	$ 3,631	7.71%
Public Safety	300,519	32.67	20,680	7.39
Street and Roadways	63,889	6.95	3,610	5.99
Health Services	60,945	6.63	4,381	7.75
Environmental Protection and Control	100	0.01	(42)	(29.58)
Sanitation	2,399	0.26	(382)	(13.74)
Welfare	91,837	9.98	11,465	14.26
Culture and Recreation	53,226	5.79	5,001	10.37
Convention and Tourism	34,472	3.75	503	1.48
Conservation	16	0.00	6	60.00
Urban Redevelopment and Housing	19,230	2.09	3,526	22.45
Economic Development and Opportunity	22,140	2.41	11,753	113.15
Principal Retirement	36,095	3.92	4,870	15.60
Interest	48,879	5.32	565	1.17
Pmts and Contrib's, Escrow Agents	27,214	2.96	(37,351)	(57.85)
Issuance Costs	644	0.07	201	45.37
Transfers-Out	107,439	11.68	14,416	15.50
Total	**$ 919,755**	**100.00%**	**$ 46,833**	

The total fund balance of the General Fund at year-end was $84,536, a decrease of $3,909 from the total fund balance for the close of fiscal year 1998. The undesignated fund balance in the General Fund at the close of the fiscal year was $66,964, a decrease of $2,888 from the previous year's undesignated balance. The undesignated fund balance represents amounts available for additional appropriations.

PROPRIETARY OPERATIONS

Enterprise Funds: During the fiscal year, the Primary Government included four separate and distinct enterprise activities: the Airport System, Parking Facilities, the Golf Course System, and the Solid Waste System.

<u>Airport System</u>: The Airport System operations consist of San Antonio International and Stinson Municipal Airports. San Antonio International Airport was opened in 1942, and occupies approximately 2,600 acres of land. It consists of 3 runways, 2 terminals, and 28 gates, which accommodates many of the world's major airlines. For the calendar years 1998 and 1999, total enplaned passengers were 3,505,054 and 3,538,070, respectively. Airport System retained earnings as of September 30, 1999, totaled $86,452 of which $5,506 was unreserved.

<u>Parking Facilities</u>: The City's Parking Facility operation includes 5 parking garages with 3,347 parking spaces, 11 City-owned and 9 leased surface parking lots providing approximately 4,640 parking spaces, and 1,902 on

FINANCIAL INFORMATION (Continued)

PROPRIETARY OPERATIONS (Continued)

Enterprise Funds (Continued):

<u>Parking Facilities (Continued)</u>:

street parking meters for a total of 9,889 parking spaces. It also includes over 42,000 square feet of retail/office space. Retained earnings as of September 30, 1999 totaled $6,643 of which $2,637 was unreserved.

<u>Golf Course System:</u> Operations include six, 18-hole golf courses, two, par 3 nine-hole golf courses, and 4 driving and practice ranges. Retained earnings as of September 30, 1999 totaled ($516) of which ($284) was unreserved.

<u>Solid Waste System</u>: The Solid Waste Systems operation includes the disposal of curbside solid waste, brush collection, and recycling, for over 286,000 residential customers, and the maintenance and monitoring of the City's eight closed landfills. Retained earnings as of September 30, 1999 totaled $9,199 of which $7,662 was unreserved.

Discretely Presented Proprietary Component Units: The San Antonio Water System (SAWS), City Public Service (CPS), the San Antonio Development Agency (SADA), the San Antonio Higher Education Authority (SAHEA), the Greater Kelly Development Corporation (GKDC), the San Antonio Housing Trust Foundation Inc. (SAHTF), and the San Antonio Local Development Company, Inc. (SALDC), are entities which operate under quasi-independent boards of trustees and are managed independently. Considering the criteria set forth in GASB Statement #14, management has determined that these entities are required to be discretely presented with the City's financial statements.

Internal Service Funds: The Internal Service Funds were established to account for goods or services provided by a centralized department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's Internal Service Funds are divided into three sections: Other Internal Services, Information Services, and the Self-Insurance Programs.

<u>Other Internal Services</u>: The Other Internal Service Funds include activity pertaining to Central Stores, Motor Pool, Communications Service, Automotive Repair and Temporary Services.

<u>Information Services</u>: The Information Services Fund includes activity pertaining to data processing, programming, and related computer services to other City departments.

<u>Self-Insurance Programs</u>: The Self Insurance Programs include funds used to account for the administration of all tort claims against the City, and for the operation of the City's Employee Benefits Program, Worker's Compensation Program, Unemployment Compensation Program, Extended Sick Leave Program, and Employee Wellness Program.

FIDUCIARY OPERATIONS

Fiduciary Funds consist of Trust and Agency funds. Trust funds are used to account for assets held by the City in the capacity of trustee. Agency funds are used to account for assets held by the City in an agency relationship with individuals, private organizations, other governments and/or funds.

(Monetary Amounts Are Expressed in Thousands)

FINANCIAL INFORMATION (Continued)

FIDUCIARY OPERATIONS (Continued)

The Fire and Police Pension Fund is used to account for resources of the pension fund established for the City's firefighters and police officers, as provided for under state law. Resources are contributed by fire and police employees and the City at rates fixed by state law. In Fiscal Year 1999, fire and police employees contributed 12% of covered payroll while the City contributed 24% of covered payroll, as indicated in Footnote No. 8 entitled "Pension and Retirement Plans".

Regarding the Fire and Police Pension Fund, an actuarial study of the funds as of October 1, 1999 determined an Actuarial Accrued Liability (AAL) of $1,256,746. The Actuarial value of assets for the same valuation date was $1,031,786 resulting in an unfunded Actuarial Accrued Liability of $224,960.

The City of San Antonio Firefighters' and Police Officers' Retiree Prefunded Group Health plan was created in October, 1989, in accordance with the provisions of the City's contracts with the local fire and police unions, respectively, to provide post employment healthcare benefits to uniformed employees who retired on or after October 1, 1989. Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the Fire and Police Retiree Health Care Fund ("Health Fund") was created to provide these post employment healthcare benefits for eligible uniformed employees of the City. For the year ended September 30, 1999, contributions to the Health Fund were comprised of 9.4% of base pay plus longevity for both firefighters and police officers.

GENERAL FIXED ASSETS ACCOUNT GROUP

The City accounts for all its fixed assets in this Account Group, except for those accounted for in the Proprietary Funds and the Pension Trust Fund. General Fixed Assets amounted to $2,065,702 at year-end compared to $1,909,838 at the beginning of the year, a net increase of $155,864.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The City accounts for all long-term liabilities expected to be funded from governmental funds in this Account Group. Long-term debt of governmental funds increased by $23,214 from $957,597 at the end of Fiscal Year 1998 to $980,811 at the end of Fiscal Year 1999.

Fiscal Management and Administrative Topics

Texas Municipal Retirement System

The City is a member of the Texas Municipal Retirement System (TMRS), which administers the City's retirement benefits program for civilian employees. Contributions to the system are actuarially determined. The required contribution from City employees is 6%, while the City matches at a rate of approximately 9.97%. Both the City and its covered employees made the required contributions of $9,030 and $14,921 respectively, as indicated in Footnote No. 8 entitled "Pension and Retirement Plans".

Cash and Investment Management

The City's investment policies are governed by State statute and the City's own written investment policies. Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; investment diversification, yield, maturity, and the quality and

Fiscal Management and Administrative Topics (Continued)

Cash and Investment Management (Continued)

capability of investment management; and include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "investment strategy statement" that specifically addresses each funds' investment. Each investment strategy statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

The City is authorized to use demand accounts, time accounts, and certificates of deposit, and other permissible investments including Obligations of the U.S. Treasury and U.S. Agencies, Obligations of States and Cities, Commercial Paper, Repurchase Agreement, Money Market Funds, and Investment Pools. The City's investment portfolio includes the investment in callable obligations and STRIPS, but does not contain any other derivative products nor does the City leverage its investments. Further, it is not the City's policy to use such investment vehicles or strategies in its portfolio.

At September 30, 1999, investable City funds were 81.38% invested in obligations of the United States, or its agencies and instrumentalities, and 4.92% invested in a money market mutual fund, with the weighted average maturity of the portfolio being less than one year. The remaining 13.70% of the City's portfolio included $67,494 of convention center construction funds and convention center debt service reserve funds of $16,999, which are invested in fully collateralized repurchase agreements that are fully secured by obligations of the United States or its agencies and instrumentalities. The investments and maturity terms are consistent with State law and the City's investment policy. Excluding the aforementioned convention center repurchase agreements, at September 30, 1999, the City's investment portfolio had a par value of $501,723, with an average life of 320 days and a weighted average yield of 5.89%.

Risk Management Programs

In Fiscal Year 1999, the financial status and development of the City's Risk Management and Self-Insurance Services and Programs reflected, for the second time in ten years, both the Liability Reserve Fund and the Workers' Compensation Fund ending with positive fund balances in the amounts of $4,504 and $7,785 respectively. To fully appreciate the extent of the favorable financial status, it is important to note that beginning October 1, 1987, the City changed its accounting procedures to record accrued claims liabilities related to Workers' Compensation and Property Casualty (general liability), which previously had been accounted for in the General Long-Term Debt Account Group, to the respective Internal Service, Self-Insurance Program Funds. This change resulted in considerable negative account balances in the related funds.

The $4,504 positive fund balance in the City's Insurance Reserve Fund is an improvement of $1,964 from the prior year-end, which presented a positive balance of $2,540. The fund carried cash reserves at September 30, 1999 in the amount of $23,108. In an effort to improve the claims management process, the Claims Board Committee was established in 1996. It is composed of executive level staff and is chaired by an Assistant City Manager. Since the committee's inception, the Insurance Reserve Fund has improved its performance. Additionally, Safety and Loss Control Programs have been implemented in a continuing effort to minimize the City's financial losses due to occupational injuries, property damages, and liability lawsuits. In fiscal year 1999, the City's Safety and Loss Control Program trained thousands of City employees in areas such as: defensive driving, first aid/CPR, lift belt training, proper personal protective equipment, handling hazardous materials, confined space entry, and accident investigation.

FINANCIAL INFORMATION (Continued)

Fiscal Management and Administrative Topics (Continued)

Employee Benefits Programs

The City continually seeks improved cost containment methods, and utilizes hospital pre-certification, large case management, hospital bill audits, and a preferred provider organization program in managing and administering health benefits. Such strategies have been very effective for the City in managing medical costs in a changing health care industry. The City will continue to strive for further enhancements, improved efficiencies, and cost minimization. In fiscal year 1999, the Employee Benefits Fund had retained earnings of $3,927 and cash reserves of $8,900.

Debt Administration

The City utilizes a comprehensive, debt management financial planning program (The Debt Management Plan) which is updated annually. The Debt Management Plan is a major component of the City's financial planning. The model projects financing needs while measuring and assessing the cost and timing of each debt issuance. It involves comprehensive financial analysis which utilizes computer modeling, and incorporates variables such as interest rate sensitivity, assessed values changes, annexations, and current ad valorem tax collection rates. Use of this financial management tool has assisted the City in meeting its financing needs by facilitating timely and thorough planning which has allowed the City to capitalize on market opportunities.

At September 30, 1999, the City's gross principal amount of outstanding indebtedness that is secured by an ad valorem tax pledge was $754,958. The table shown below illustrates the composition of the City's long-term indebtedness payable from ad valorem taxes.

LONG-TERM INDEBTEDNESS
PAYABLE FROM AD VALOREM TAXES

General Improvement Bonds	$ 658,313
Taxable Certificates of Obligation	16,845
Combination Tax and Revenue Certificates of Obligation	79,800
Total Debt Payable from Ad Valorem Taxes	754,958
Less Self-Supporting Debt	27,560
Net Debt Payable from Ad Valorem Taxes	$ 727,398

The total and net debt amounts contained in the schedule above are equal to 2.42% and 2.33% respectively of the tax roll year 1999 net taxable assessed valuation of $31,253,551. Authorized but unissued debt as of September 30, 1999, equaled $184,425, of which the City does not intend to issue $16,660 authorized by the January 26, 1980 election. This results in net authorized but unissued debt totaling $167,765 as of the fiscal year-end.

On December 10, 1998, the City sold $27,565 General Improvement Bonds, Series 2000, and $8,490 Combination Tax and Revenue Certificates of Obligation, Series 2000, which are scheduled to be delivered on February 15, 2000. The $27,565,000 represents the final installment of the bonds authorized in the May, 1994 bond election. On May 1, 1999, the citizens of San Antonio passed an election authorizing the issuance of

OTHER INFORMATION (Continued)

Fiscal Management and Administrative Topics (Continued)

Debt Administration (Continued)

$140,200 general improvement bonds. Proceeds from the bonds to be delivered on February 15, 2000 and the remaining unissued bonds are authorized to be sold for purposes including improvements to: (i) streets and pedestrian ways, (ii) drainage, (iii) flood control with park improvements, (iv) parks and recreational facilities, (v) library system, and (vi) public safety.

The City Charter limits the amount of general obligation debt to a maximum of ten percent (10%) of the total assessed valuation. Texas law and the City Charter provide that the City may levy an ad valorem tax rate not to exceed $2.50 per $100 assessed valuation. There is no limitation within the $2.50 rate for interest and sinking fund purposes. The ad valorem tax rate approved by City ordinance for the fiscal year ended September 30, 1999, was $0.57979 per $100 assessed valuation, of which the debt service component is $0.23400 and the maintenance and operation portion is $0.34579. NOTE: Tax rates in this "Debt Administration" section are not expressed in thousands.

Strict adherence to conservative financial management has allowed the City to meet its financing needs while at the same time maintaining its "Aa2", "AA+" and "AA+" bond rating by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch IBCA, Inc., respectively. The positive trend in the City's credit strength is evidenced by the Standard & Poor's rating upgrade in December, 1998 from "AA" to its current "AA+" and Fitch IBCA, Inc.'s rating upgrade in October, 1999 from "AA" to "AA+".

INDEPENDENT AUDIT

State statutes require that an annual audit by an independent certified public accountant be conducted. The accounting firms KPMG LLP, Garza/Gonzalez & Associates, and Robert J. Williams CPA were selected by the City's Audit Committee in 1997. In addition to meeting the requirements set forth in State statutes, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133. The Independent Auditors' Report on the general purpose financial statements, combining and individual fund statements, and required disclosures and schedules are included in the Financial Section of this CAFR. The Independent Auditors' Report along with other required reports and schedules mandated by the Single Audit Act Amendments of 1996 and OMB Circular A-133 are in a separate document.

AWARDS

San Antonio's appeal to its citizens, potential businesses and visitors stem from its historical beauty, high quality of life and low cost of living. In 1999, the City Manager's Office was recognized for the creation of the Leadership Development Program by the International City/County Management Association. The educational program identifies and develops new talent in local government management. In addition, the Purchasing Department received an Excellence in Procurement Award for 1999 from the National Purchasing Institute, Inc. San Antonio is one of 17 cities to receive the award for the past two years. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended September 30, 1998. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both Generally Accepted Accounting Principles and applicable legal

OTHER INFORMATION (Continued)

AWARDS (Continued)

requirements. The Certificate of Achievement is valid for a period of one year and we believe the current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements.

The preparation of the City of San Antonio, Texas, Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 1999, was made possible by the dedication and hard work of the Finance Department, particularly the staff of the Accounting Division. Each member of the Department has my sincere appreciation for their contributions to the preparation of this document. In closing, please accept my sincere gratitude to the Mayor and City Council, City Manager, Assistant City Managers, Assistant to the City Manager, Executive Directors, and their staff, for their continued support.

Respectfully Submitted,

Octavio Peña, CPA
Director
Finance Department

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Antonio, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

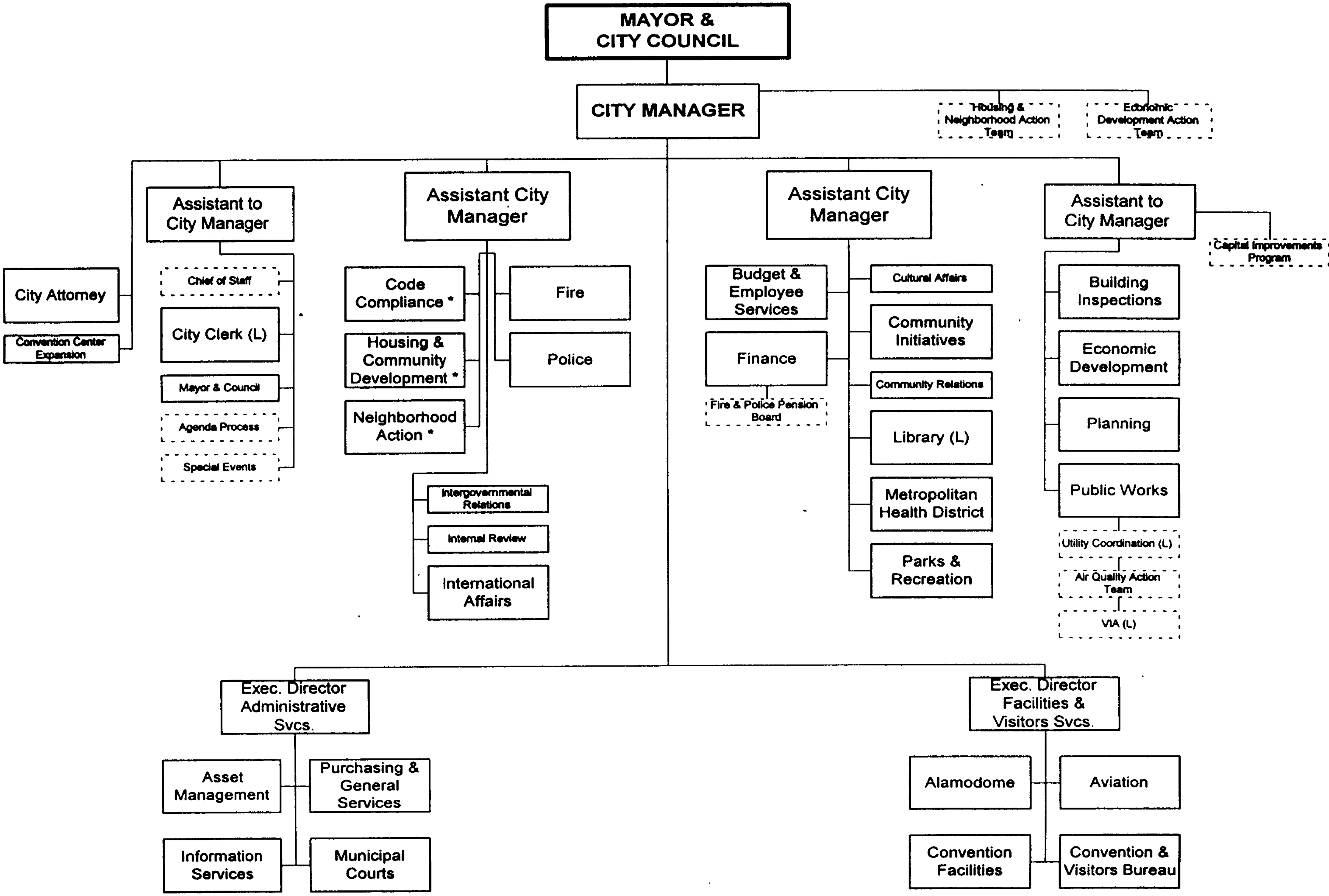
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Antonio for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 1998. This was the 23rd consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

City of San Antonio



August 13, 1998

* Pending reassignment with selection of additional Assistant to City Manager

Dashed boxes represent functional responsibility
(L) Denotes Liaison

CITY OF SAN ANTONIO, TEXAS

Incorporated December 14, 1837 *Charter Adopted October 2, 1951*
Council - Manager Form of Government

CITY COUNCIL
Howard W. Peak, Mayor

Bobby Perez
Mario Salas
Debra Guerrero
Raul Prado
Rick Vásquez
Enrique M. Barrera
Ed Garza
Bonnie Conner
Tim Bannwolf
David Carpenter

CITY MANAGER
Alexander E. Briseño

ASSISTANT CITY MANAGER
J. Rolando Bono

ASSISTANT CITY MANAGER
Melissa Byrne Vossmer

ASSISTANT CITY MANAGER
Travis M. Bishop

ASSISTANT CITY MANAGER
Christopher J. Brady

ASSISTANT TO THE CITY MANAGER
George V. Pedraza

EXECUTIVE DIRECTOR
Roland A. Lozano

EXECUTIVE DIRECTOR
Terry M. Brechtel

FINANCE DEPARTMENT
Octavio Peña, CPA, Director

MEMBER OF THE GOVERNMENT FINANCE OFFICERS
ASSOCIATION OF THE UNITED STATES & CANADA

City of San Antonio
Texas

Financial Section

City of San Antonio
Texas

Independent Auditors' Report

KPMG

112 East Pecan, Suite 2400
San Antonio, TX 78205-1585

RJW

Robert J. Williams
Certified Public Accountant
P.O. Box 34058
San Antonio, TX 78265-4058

GARZA/GONZALEZ
& Associates
Certified Public Accountants
212 Stumberg, Suite 208
San Antonio, Tx 78204

Independent Auditors' Report

To the Honorable Howard W. Peak, Mayor
and Members of City Council
City of San Antonio, Texas

We have audited the accompanying general purpose financial statements of the City of San Antonio, Texas, as of and for the year ended September 30, 1999 as listed in the accompanying table of contents under "General Purpose Financial Statements." These general purpose financial statements are the responsibility of the City of San Antonio, Texas' management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. KPMG LLP and Robert J. Williams did not audit the financial statements of the discretely presented component units, with the exception of the City Public Service Board, which represents 25% and 18% of the total assets and total revenues, respectively, of the related combined total of the discretely presented component units. Garza/Gonzalez and Associates did not audit the financial statements of the discretely presented component units, with the exception of the SAWS and GKDC, which represent 75% and 83% of the total assets and total revenues, respectively, of the related combined total of the discretely presented component units. Except as noted above, those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material repects, the financial position of the City of San Antonio, Texas, as of September 30, 1999, and the results of its operations, the cash flows of its proprietary fund types and the changes in plan net assets of its pension trust funds for the year then ended in conformity with generally accepted accounting principles.

The Schedules of Funding Progress on pages 91-92 and the Year 2000 information on pages 89-90, respectively, are not a required part of the general purpose financial statements of the City of San Antonio, Texas, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the Schedules of Funding Progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We were unable to apply certain of these limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City of San Antonio, Texas, is or will become Year 2000 compliant, that the City of San Antonio, Texas' Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of San Antonio, Texas does business are or will become Year 2000 compliant.

The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents under "Financial Statements of Individual Funds" are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of San Antonio, Texas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The schedules listed under "Statistical Section" in the accompanying table of contents were not audited by us, and accordingly, we express no opinion on them.

KPMG LLP

Robert J. Williams

Garza/Gonzalez & Associates

January 21, 2000

City of San Antonio
Texas

General Purpose Financial Statements

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)
(In Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
ASSETS AND OTHER DEBITS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
Assets:						
Cash and Cash Equivalents	$ 6,527	$ 8,087	$ 17,000	$ 77,315	$ 1,446	$ 5,556
Security Lending Collateral-Cash and Cash Equivalents						
Investments	55,064	55,152	64,188	125,780	18,296	77,843
Receivables:						
Taxes, Including Interest, Penalties and Liens	17,411		11,782			
Less Allowances for Uncollectibles	(2,814)		(1,904)			
Other Accounts	3,547	272			119	77
Notes		4,429	352			200
Accrued Interest	993	551	766	1,715	279	901
Accrued Revenue	31,287	4,774			7,179	
Prepaid Expenditures	14					
Due from Other Funds	9,784	8,159	132	1,939	733	
Due from Other Governmental Agencies	325	15,209		5,826	127	506
Inventories of Materials and Supplies, at Cost	2,534	993			925	1,516
Prepayments					1,674	
Deposits				71		386
Restricted Assets:						
Cash and Cash Equivalents					20,772	
Investments					40,969	
Receivables - Accrued Interest					470	
Other Accounts						
Fixed Assets (Net of Accumulated Depreciation)					251,311	34,295
Unamortized Debt Expense					2,027	
Other Debits:						
Amount Available in Debt Service Fund						
Amount to be Provided for Retirement of General Long-Term Debt						
Total Assets and Other Debits	$ 124,672	$ 97,626	$ 92,316	$ 212,646	$ 346,327	$ 121,280

The notes to the financial statements are an integral part of this statement.

—— CITY OF SAN ANTONIO, TEXAS ——

-1-

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)
(In Thousands)

	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
ASSETS AND OTHER DEBITS	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT	GOVERNMENTAL	PROPRIETARY	1999	1998
Assets:								
Cash and Cash Equivalents	$ 106,986	$ 0	$ 0	$ 222,917	$ 5,172	$ 14,117	$ 242,206	$ 376,300
Security Lending Collateral-Cash and Cash Equivalents	110,166			110,166			110,166	141,184
Investments	1,162,388			1,558,711	454	92,072	1,651,237	1,279,880
Receivables:								
Taxes, Including Interest, Penalties and Liens				29,193			29,193	28,526
Less Allowances for Uncollectibles				(4,718)			(4,718)	(4,357)
Other Accounts	6,873			10,888	6,070	129,724	146,682	133,169
Notes				4,981	2,417	2,864	10,262	9,686
Accrued Interest	5,497			10,702		934	11,636	9,595
Accrued Revenue	388			43,628			43,628	40,780
Prepaid Expenditures				14			14	9
Due from Other Funds				20,747			20,747	8,149
Due from Other Governmental Agencies	44			22,037	7,196	27	29,260	12,807
Inventories of Materials and Supplies, at Cost				5,968	692	87,309	93,969	90,487
Prepayments	1			1,675		7,598	9,273	10,583
Deposits				457			457	940
Restricted Assets:								
Cash and Cash Equivalents				20,772		45,799	66,571	85,202
Investments				40,969		700,139	741,108	994,066
Receivables - Accrued Interest				470			470	433
Other Accounts								36
Fixed Assets (Net of Accumulated Depreciation)	366	2,065,702		2,351,674	48,196	5,363,161	7,763,031	7,454,371
Unamortized Debt Expense				2,027		16,110	18,137	16,320
Other Debits:								
Amount Available in Debt Service Fund			81,908	81,908			81,908	77,953
Amount to be Provided for Retirement of General Long-Term Debt			898,903	898,903	42,029		940,932	914,888
Total Assets and Other Debits	$ 1,392,709	$ 2,065,702	$ 980,811	$ 5,434,089	$ 112,226	$ 6,459,854	$ 12,006,169	$ 11,681,007

(Cont'd)

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)
(In Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
LIABILITIES AND EQUITY AND OTHER CREDITS						
Liabilities:						
Vouchers Payable	$ 2,965	$ 10,565	$ 0	$ 13,819	$ 1,599	$ 3,868
Deferred Revenues	18,288	5,245	9,878		1,533	
Accounts Payable-Other	860	754	451	8,088	7,382	38,573
Accrued Payroll	15,464	3,611			1,621	797
Accrued Leave Payable	2,559	476			1,903	929
Accrued Interest						9
Lease Purchase Agreements - Current						329
Lease Purchase Agreements - Long-Term						1,048
Matured Bonds and Interest Payable			9			
Payable from Restricted Assets:						
Vouchers Payable					574	
Other Payables					3,208	
Accrued Revenue Bond and Certificate Interest					2,070	
Current Portion of Bonds and Certificates					5,995	
Due to:						
Other Funds		9,341	70	9,858	741	
Other Governmental Agencies		4,066				711
Employees for Deferred Compensation Plan						
Security Lending						
Amounts Held In Trust						
Notes Payable/Lease Purchase					55	
Lease Purchase (Net of Current Portion)					420	
General Obligation Bonds Payable						
Certificates of Obligation Payable						
Revenue Bonds Payable						
General Obligation/Enterprise Funds (Net of Current Portion)					20,220	
Revenue Bonds (Net of Current Portion)					110,205	
Unamortized Premium						
Less: Unamortized Discount on New Series Bonds					(1,611)	
Deferred Amount on Refunding					(124)	
Contractual Obligations/Commercial Paper						
Accumulated Accrued:						
Sick Leave						
Annual Leave						
Total Liabilities	40,136	34,058	10,408	31,765	155,791	46,264
Fund Equity and Other Credits:						
Contributed Capital (Net of Amortization)					88,759	37,126
Investment in General Fixed Assets						
Retained Earnings:						
Reserved for Bond Retirement					13,336	
Reserved for Construction					48,813	
Reserved for Improvement and Contingency					24,107	
Reserved for Equipment Renewal and Replacement				–		12,891
Unreserved					15,521	24,999
Fund Balances:						
Reserved:						
Reserved for Encumbrances	6,316	16,126		163,903		
Reserved for Inventories	2,534	993				
Reserved for Prepaid Expenditures	14					
Reserved for Employees' Pension/Postemployment Healthcare Benefits						
Reserved for Debt Service			61,357			
Reserved for Convention Center Project			20,551			
Reserved for Notes						
Reserved for Other Restricted Purposes						
Unreserved:						
Designated	8,708	8,440				
Undesignated	66,964	38,009		16,978		
Total Equity and Other Credits	84,536	63,568	81,908	180,881	190,536	75,016
Total Liabilities and Fund Equity and Other Credits	$ 124,672	$ 97,626	$ 92,316	$ 212,646	$ 346,327	$ 121,280

The notes to the financial statements are an integral part of this statement.

—— CITY OF SAN ANTONIO, TEXAS —— -2-

COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)
(In Thousands)

	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	COMPONENT UNITS		TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT	GOVERNMENTAL	PROPRIETARY	1999	1998
LIABILITIES AND EQUITY AND OTHER CREDITS								
Liabilities:								
Vouchers Payable	$ 1,128	$ 0	$ 0	$ 33,944	$ 15,012	$ 113,096	$ 162,052	$ 117,513
Deferred Revenues				34,944	1,968		36,912	37,567
Accounts Payable-Other	20,034			76,142	808	12,255	89,205	85,920
Accrued Payroll	245			21,738		2,838	24,576	17,270
Accrued Leave Payable	36			5,903	374	3,540	9,817	8,485
Accrued Interest				9			9	3
Lease Purchase Agreements - Current				329			329	104
Lease Purchase Agreements - Long-Term				1,048			1,048	308
Matured Bonds and Interest Payable				9			9	9
Payable from Restricted Assets:								
Vouchers Payable				574			574	1,050
Other Payables			1,674	4,882		172,746	177,628	211,015
Accrued Revenue Bond and Certificate Interest				2,070		1,839	3,909	4,273
Current Portion of Bonds and Certificates				5,995		82,710	88,705	85,730
Due to:								
Other Funds	737			20,747			20,747	8,149
Other Governmental Agencies				4,777	2,783		7,560	11,085
Employees for Deferred Compensation Plan								430
Security Lending	110,166			110,166			110,166	141,184
Amounts Held In Trust	2			2			2	2
Notes Payable/Lease Purchase			200	255	42,029		42,284	36,290
Lease Purchase (Net of Current Portion)				420			420	123
General Obligation Bonds Payable			639,483	639,483			639,483	646,983
Certificates of Obligation Payable			93,730	93,730			93,730	63,600
Revenue Bonds Payable			182,012	182,012			182,012	182,012
General Obligation/Enterprise Funds (Net of Current Portion)				20,220			20,220	21,720
Revenue Bonds (Net of Current Portion)				110,205		3,227,815	3,338,020	3,151,903
Unamortized Premium						1,849	1,849	2,026
Less: Unamortized Discount on New Series Bonds				(1,611)		(37,071)	(38,682)	(73,087)
Deferred Amount on Refunding				(124)		(222,253)	(222,377)	(67,354)
Contractual Obligations/Commercial Paper						273,804	273,804	520,586
Accumulated Accrued:								
Sick Leave			41,465	41,465			41,465	39,883
Annual Leave			22,247	22,247			22,247	22,174
Total Liabilities	132,348		980,811	1,431,581	62,974	3,633,168	5,127,723	5,276,956
Fund Equity and Other Credits:								
Contributed Capital (Net of Amortization)				125,885		571,859	697,744	666,804
Investment in General Fixed Assets		2,065,702		2,065,702	48,196		2,113,898	1,945,693
Retained Earnings:								
Reserved for Bond Retirement				13,336		863	14,199	169,713
Reserved for Construction				48,813		30,062	78,875	69,558
Reserved for Improvement and Contingency				24,107		461,903	486,010	348,311
Reserved for Equipment Renewal and Replacement				12,891			12,891	9,800
Unreserved				40,520		1,761,999	1,802,519	1,721,853
Fund Balances:								
Reserved:								
Reserved for Encumbrances	280			186,625			186,625	210,190
Reserved for Inventories				3,527	692		4,219	4,353
Reserved for Prepaid Expenditures				14			14	9
Reserved for Employees' Pension/Postemployment Healthcare Benefits	1,242,146			1,242,146			1,242,146	1,003,268
Reserved for Debt Service				61,357			61,357	58,051
Reserved for Convention Center Project				20,551			20,551	19,902
Reserved for Notes					2,417		2,417	1,954
Reserved for Other Restricted Purposes					1,088		1,088	1,016
Unreserved:								
Designated				17,148			17,148	14,576
Undesignated	17,935			139,886	(3,141)		136,745	159,000
Total Equity and Other Credits	1,260,361	2,065,702		4,002,508	49,252	2,826,686	6,878,446	6,404,051
Total Liabilities and Fund Equity and Other Credits	$ 1,392,709	$ 2,065,702	$ 980,811	$ 5,434,089	$ 112,226	$ 6,459,854	$ 12,006,169	$ 11,681,007

(end of statement)

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)
(In Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)	GOVERNMENTAL	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST	PRIMARY GOVERNMENT	COMPONENT UNITS	1999	1998
Revenues									
Taxes	$ 261,392	$ 40,169	$ 73,990	$ 0	$ 0	$ 375,551	$ 0	$ 375,551	$ 353,908
Licenses and Permits	12,164					12,164		12,164	11,160
Intergovernmental	2,527	150,312		15,879		168,718	36,201	204,919	143,697
Revenues from Utilities	149,956					149,956		149,956	150,834
Charges for Services	21,726	38,470			1,208	61,404	10,317	71,721	65,391
Fines and Forfeits	11,838					11,838		11,838	11,525
Miscellaneous	12,706	16,132	6,208	13,582	2,772	51,400	2,769	54,169	46,716
In-Kind Contributions		7,500				7,500	243	7,743	20,565
Total Revenues	472,309	252,583	80,198	29,461	3,980	838,531	49,530	888,061	803,796
Expenditures									
Current:									
General Government	49,439	1,272			110	50,821		50,821	47,184
Public Safety	289,777	10,742			844	301,363		301,363	280,357
Streets and Roadways	9,467	54,422			191	64,080		64,080	60,411
Health Services	11,278	49,667			165	61,110		61,110	56,713
Environmental Protection and Control		100				100		100	142
Sanitation	2,399					2,399		2,399	2,781
Welfare	11,408	80,429			554	92,391		92,391	80,753
Culture and Recreation	48,026	5,200			1,871	55,097		55,097	49,528
Convention and Tourism		34,472				34,472		34,472	33,969
Conservation		16				16		16	10
Urban Redevelopment and Housing		19,230			1,253	20,483	11,205	31,688	25,883
Economic Development and Opportunity	5,190	16,950				22,140	52,644	74,784	31,283
Capital Projects				147,549		147,549		147,549	99,034
Debt Service:									
Principal Retirement			36,095			36,095		36,095	31,225
Interest			48,879			48,879		48,879	48,314
Cash Contributions to Refunded Bond Escrow Agent			617			617		617	1,106
Issuance Costs			644			644		644	443
Total Expenditures	426,984	272,500	86,235	147,549	4,988	938,256	63,849	1,002,105	849,136
Excess (Deficiency) of Revenues Over Expenditures	45,325	(19,917)	(6,037)	(118,088)	(1,008)	(99,725)	(14,319)	(114,044)	(45,340)
Other Financing Sources (Uses)									
Proceeds of Debt Issuance			27,100	59,210		86,310		86,310	90,522
Payments to Refunded Bond Escrow Agent			(26,597)			(26,597)		(26,597)	(63,459)
Proceeds from Notes and Loans							11,281	11,281	3,683
Operating Transfers In	15,208	67,662	9,489	66,419	661	159,439		159,439	105,690
Operating Transfers Out	(64,442)	(42,997)		(47,855)	(92)	(155,386)		(155,386)	(100,862)
Total Other Financing Sources (Uses)	(49,234)	24,665	9,992	77,774	569	63,766	11,281	75,047	35,574
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,909)	4,748	3,955	(40,314)	(439)	(35,959)	(3,038)	(38,997)	(9,766)
Fund Balances, October 1 as Previously Reported	88,445	58,820	77,953	221,195	18,654	465,067	3,983	469,050	478,816
Prior Period Adjustment							111	111	
Beginning Fund Balance as Restated	88,445	58,820	77,953	221,195	18,654	465,067	4,094	469,161	478,816
Fund Balances, September 30	$ 84,536	$ 63,568	$ 81,908	$ 180,881	$ 18,215	$ 429,108	$ 1,056	$ 430,164	$ 469,050

(Cont'd)

The notes to the financial statements are an integral part of this statement.

(end of statement)

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL, SPECIAL REVENUE (WITH ANNUAL BUDGETS) AND DEBT SERVICE FUNDS
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(In Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE-FAVORABLE (UNFAVORABLE)
Revenues									
Taxes	$ 253,033	$ 261,392	$ 8,359	$ 39,021	$ 40,169	$ 1,148	$ 72,922	$ 73,990	$ 1,068
Licenses and Permits	11,742	12,164	422						
Intergovernmental	2,329	2,527	198	3,789	2,995	(794)			
Revenues from Utilities	142,796	149,956	7,160						
Charges for Services	20,818	21,726	908	35,421	38,446	3,025			
Fines and Forfeits	10,637	11,838	1,201						
Miscellaneous	9,700	12,706	3,006	5,921	9,248	3,327	5,619	6,208	589
Total Revenues	451,055	472,309	21,254	84,152	90,858	6,706	78,541	80,198	1,657
Expenditures									
Current:									
General Government	60,842	50,128	10,714	1,226	1,329	(103)			
Public Safety	297,398	291,549	5,849	1,777	3,192	(1,415)			
Streets and Roadways	9,401	9,467	(66)	35,751	37,238	(1,487)			
Health Services	11,512	11,395	117	33,941	33,242	699			
Sanitation	2,296	2,400	(104)						
Welfare	12,296	12,047	249						
Culture and Recreation	50,334	48,771	1,563	824	845	(21)			
Convention and Tourism				37,930	36,087	1,843			
Economic Development and Opportunity	6,188	5,618	570						
Debt Service							86,235	86,235	
Total Expenditures	450,267	431,375	18,892	111,449	111,933	(484)	86,235	86,235	
Excess (Deficiency) of Revenues Over (Under) Expenditures	788	40,934	40,146	(27,297)	(21,075)	6,222	(7,694)	(6,037)	1,657
Other Financing Sources (Uses)									
Proceeds from Debt Issuance							27,100	27,100	
Payments to Escrow Agent							(26,597)	(26,597)	
Operating Transfers In	15,578	15,208	(370)	55,111	55,623	512	9,694	9,489	(205)
Operating Transfers Out	(67,264)	(66,367)	897	(50,378)	(46,648)	3,730			
Total Other Financing Sources (Uses)	(51,686)	(51,159)	527	4,733	8,975	4,242	10,197	9,992	(205)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(50,898)	(10,225)	$ 40,673	(22,564)	(12,100)	$ 10,464	2,503	3,955	$ 1,452
Fund Balances, October 1	88,445	88,445		55,655	55,655		77,953	77,953	
Add Encumbrances		6,316			16,127				
Fund Balances, September 30	$ 37,547	$ 84,536		$ 33,091	$ 59,682		$ 80,456	$ 81,908	

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)

(In Thousands)

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	PROPRIETARY	TOTALS (MEMORANDUM ONLY)	
		INTERNAL	PRIMARY	COMPONENT	REPORTING ENTITY	
	ENTERPRISE	SERVICE	GOVERNMENT	UNITS	1999	1998
Operating Revenues						
Charges for Services	$ 88,862	$ 98,766	$ 187,628	$ 1,204,859	$ 1,392,487	$ 1,332,353
Operating Expenses						
Personal Services	39,041	18,386	57,427		57,427	52,834
Contractual Services	23,915	41,676	65,591	311	65,902	58,891
Commodities	4,972	2,424	7,396	9	7,405	6,325
Insurance	1,516		1,516		1,516	2,036
Materials		12,189	12,189		12,189	11,321
Gas, Electric & Water Systems Operations and Maintenance				745,067	745,067	724,240
Other		15,246	15,246		15,246	12,845
Depreciation	8,577	11,879	20,456	212,243	232,699	216,411
Total Operating Expenses	78,021	101,800	179,821	957,630	1,137,451	1,084,903
Operating Income (Loss)	10,841	(3,034)	7,807	247,229	255,036	247,450
Nonoperating Revenues (Expenses)						
Interest and Other	4,581	3,873	8,454	68,738	77,192	66,572
Other Nonoperating Revenue	410	1,214	1,624		1,624	1,316
Gain on Disposition of Fixed Assets	5	1,321	1,326	266	1,592	1,744
Interest and Debt Expense	(8,983)	(63)	(9,046)	(178,347)	(187,393)	(227,179)
Other Nonoperating Expenses	(660)		(660)	(44,821)	(45,481)	(6,108)
Total Nonoperating Revenues (Expenses)	(4,647)	6,345	1,698	(154,164)	(152,466)	(163,655)
Income Before Operating Transfers	6,194	3,311	9,505	93,065	102,570	83,795
Operating Transfers In (Out)						
Operating Transfers In	744	3,860	4,604		4,604	3,569
Operating Transfers Out	(4,428)	(4,229)	(8,657)		(8,657)	(8,397)
Total Operating Transfers	(3,684)	(369)	(4,053)		(4,053)	(4,828)
Income before Extraordinary Item	2,510	2,942	5,452	93,065	98,517	78,967
Extraordinary Item						
(Loss) on Retirement Bonds				(24,900)	(24,900)	
Net Income	2,510	2,942	5,452	68,165	73,617	78,967
Add Amortization of (Depreciation of) Federally Contributed Fixed Assets	1,642		1,642		1,642	1,645
Increase In Retained Earnings	4,152	2,942	7,094	68,165	75,259	80,612
Retained Earnings/Fund Balances, October 1	97,625	34,948	132,573	2,186,662	2,319,235	2,273,574
Residual Equity Transfer Out						(34,951)
Retained Earnings/Fund Balances, September 30	$ 101,777	$ 37,890	$ 139,667	$ 2,254,827	$ 2,394,494	$ 2,319,235

The notes to the financial statements are an integral part of this statement.

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COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)

(In Thousands)

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	PROPRIETARY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	ENTERPRISE	INTERNAL SERVICE	PRIMARY GOVERNMENT	COMPONENT UNITS	1999	1998
Cash Flows from Operating Activities						
Cash Received from Customers	$ 88,692	$ 98,537	$ 187,229	$ 1,187,469	$ 1,374,698	$ 1,333,629
Cash Payments to Suppliers for Goods and Services	(28,386)	(66,843)	(95,229)	(604,138)	(699,367)	(682,777)
Cash Payments to Employees for Service	(38,757)	(18,162)	(56,919)	(36,846)	(93,765)	(87,416)
Other Nonoperating Revenues	418	1,214	1,632		1,632	1,281
Other Nonoperating Expenses				(42,289)	(42,289)	(3,025)
Net Cash Provided by Operating Activities	21,967	14,746	36,713	504,196	540,909	561,692
Cash Flows from Non-Capital Financing Activities						
Operating Transfers In from Other Funds	635	3,860	4,495		4,495	3,942
Operating Transfers Out to Other Funds	(4,449)	(4,229)	(8,678)		(8,678)	(8,286)
Residual Cash Transfer to Successor Fund						(35,212)
Net Cash (Used for) Non-Capital Financing Activities	(3,814)	(369)	(4,183)		(4,183)	(39,556)
Cash Flows from Capital and Related Financing Activities						
Acquisition and Construction of Capital Assets	(18,943)	(11,365)	(30,308)	(402,565)	(432,873)	(316,281)
Proceeds from Issuance of Long-Term Debt				75,000	75,000	17,700
Proceeds from Joint Operations Agreement				18,062	18,062	
Proceeds from Litigation Settlement				12,109	12,109	
Redemption of Commercial Paper				(34,900)	(34,900)	
Debt Issuance Cost	(33)		(33)	(185)	(218)	(2,703)
Proceeds from Note	352		352		352	
Principal Payments on Long-Term Debt	(6,130)	(265)	(6,395)	(245,003)	(251,398)	(312,029)
Interest Paid on Long-Term Debt	(9,027)	(55)	(9,082)	(214,688)	(223,770)	(230,811)
Principal Payment on Notes	(141)		(141)		(141)	(234)
Interest Paid on Notes	(11)		(11)		(11)	(19)
Proceeds from Sale of Assets	38	2,823	2,861	1,126	3,987	524,209
Capital Contributed for Construction				15,355	15,355	16,085
Net Cash (Used for) Capital and Related Financing Activitie	(33,895)	(8,862)	(42,757)	(775,689)	(818,446)	(304,083)
Cash Flows from Investing Activities						
Purchase of Investment Securities	(611,763)	(452,233)	(1,063,996)	(1,585,019)	(2,649,015)	(2,865,135)
Maturity of Investment Securities	610,148	429,850	1,039,998	1,711,355	2,751,353	2,705,420
Proceeds from Notes Receivable Collections		793	793	405	1,198	740
Loans Disbursed				(896)	(896)	(615)
Interest on Notes		24	24		24	74
Interest on Investments	4,471	3,618	8,089	58,788	66,877	67,471
Net Cash Provided by (Used for) Investing Activities	2,856	(17,948)	(15,092)	184,633	169,541	(92,045)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,886)	(12,433)	(25,319)	(86,860)	(112,179)	126,008
Cash and Cash Equivalents, October 1	35,104	17,989	53,093	146,776	199,869	73,861
Cash and Cash Equivalents, September 30	$ 22,218	$ 5,556	$ 27,774	$ 59,916	$ 87,690	$ 199,369

The notes to the financial statements are an integral part of this statement.

(Cont'd)

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)

(In Thousands)

	PROPRIETARY FUND TYPES		TOTALS (MEMORANDUM ONLY)	PROPRIETARY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY	
	ENTERPRISE	INTERNAL SERVICE	PRIMARY GOVERNMENT	COMPONENT UNITS	1999	1998
₹econciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income (Loss)	$ 10,841	$ (3,034)	$ 7,807	$ 247,229	$ 255,036	$ 247,450
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	8,577	11,879	20,456	212,243	232,699	216,411
Other Nonoperating Revenues	418	1,214	1,632		1,632	1,316
Other Nonoperating Expenses				(42,289)	(42,289)	(3,025)
Amortization Expense				47,518	47,518	47,311
Accretion of Capital Appreciation Bond Discount				17,181	17,181	19,208
Allowance for Interest Used During Construction						(4,743)
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable				(17,662)	(17,662)	5,515
(Increase) Decrease in Other Accounts Receivable	(58)	(8)	(66)	664	598	(16,712)
(Increase) Decrease in Accrued Revenues	(1,019)		(1,019)	718	(301)	(308)
(Increase) Decrease in Due from Other Funds		(6)	(6)		(6)	209
(Increase) Decrease in Due From Other Gov't Agencies		(182)	(182)	(5)	(187)	144
(Increase) Decrease in Inventories	131	198	329	(3,944)	(3,615)	8,610
(Increase) Decrease in Prepaid Expenses				944	944	(415)
Decrease in Deposits		49	49		49	89
Increase in Vouchers Payable	752	1,582	2,334	16,674	19,008	6,214
Increase in Other Payables	1,160	2,830	3,990	25,101	29,091	34,421
(Decrease) in Due to Other Funds	(25)		(25)		(25)	(152)
Increase (Decrease) in Accrued Payroll	228	145	373	(145)	228	(88)
Increase in Accrued Leave Payable	55	79	134	307	441	360
Increase in Deferred Revenue	907		907		907	213
(Decrease) in Customer Deposits				(338)	(338)	(336)
›t Cash Provided by Operating Activities	$ 21,967	$ 14,746	$ 36,713	$ 504,196	$ 540,909	$ 561,692
›ncash Investing, Capital and Financing Activities:						
Acquisition and Construction of Capital Assets from Capital Contributions	$ 6,445	$ 201	$ 6,646	$ 19,785	$ 26,431	$ 18,914

(end of statement)

STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUND TYPE
FIRE AND POLICE PENSION/RETIREE HEALTH CARE TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)
(In Thousands)

	FIRE AND POLICE PENSION FUND	FIRE AND POLICE RETIREE HEALTH CARE FUND	TOTALS 1999	TOTALS 1998
Additions				
Contributions:				
City Contribution	$ 36,883	$ 13,293	$ 50,176	$ 45,237
Contributions from Employees	18,441	171	18,612	17,633
Total Contributions	55,324	13,464	68,788	62,870
Investment Income:				
Interest	21,335	1,012	22,347	22,734
Dividends	11,271	621	11,892	13,054
Net Appreciation (Depreciation) in Fair Value of Investments	175,277	6,875	182,152	(17,571)
Real Estate Income, Net	243		243	207
Securities Lending Income	6,352		6,352	7,630
Other Income	403	46	449	368
Less Investment Expenses:				
Investment Management and Custodial Fees	(4,222)	(373)	(4,595)	(3,332)
Securities Lending Borrower Rebates	(5,678)		(5,678)	(6,934)
Securities Lending Fees	(236)		(236)	(244)
Net Investment Income	204,745	8,181	212,926	15,912
Total Additions	260,069	21,645	281,714	78,782
Deductions				
Benefits Paid to Participants:				
Postemployment Healthcare		3,255	3,255	2,921
Annuities	36,021		36,021	34,304
Back DROP Payments	1,647		1,647	2,974
Refunds of Participant Contributions	423		423	203
Personnel Costs	406		406	400
Contractual Services	463	265	728	534
Other		7	7	7
Depreciation	18		18	20
Maintenance and Utilities	331		331	288
Total Deductions	39,309	3,527	42,836	41,651
Net Increase	220,760	18,118	238,878	37,131
Net Assets Held in Trust for Pension/Postemployment Healthcare Benefits, October 1	963,183	40,085	1,003,268	931,186
Residual Equity Transfer In				34,951
Net Assets Held in Trust for Pension/Postemployment Healthcare Benefits, September 30	$ 1,183,943	$ 58,203	$ 1,242,146	$ 1,003,268

The notes to the financial statements are an integral part of this statement.

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City of San Antonio
Texas

Component Units

As set forth in GASB Statement Number 14, "The Reporting Entity", Component Units which by the nature and significance of their relationship with the City is such that their exclusion from the reporting entity's financial statements would be misleading or incomplete and as such are presented discretely with the City's financial statements.

The City has determined that the following component units meet the criteria for discrete presentation as set forth in GASB Statement Number 14:

SAN ANTONIO DEVELOPMENT AGENCY (SADA) - SADA is responsible for implementing the City's Urban Renewal Program. A majority of the financing is provided from the City in the form of pass-through grants.

CITY OF SAN ANTONIO HIGHER EDUCATION AUTHORITY (CSAHEA) - CSAHEA was established in accordance with state law for the purpose of aiding non-profit institutions of higher education in providing educational facilities and housing facilities. The corporation is authorized to issue revenue bonds for said purposes on behalf of the City but the bonds are not obligations of the City.

GREATER KELLY DEVELOPMENT CORPORATION (GKDC) - GKDC is a non-profit corporation established in 1996 for the purpose of monitoring the proposed closing of Kelly Air Force Base (Kelly) and formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly. The corporation is authorized to issue bonds to finance related projects but the bonds are not obligations of the City.

SAN ANTONIO HOUSING TRUST FOUNDATION, INC. (SAHTF) - SAHTF is a non-profit corporation established in 1990 for the purpose of supporting charitable, educational, and scientific undertakings, specifically for providing housing for low and middle income families. In addition, the corporation provides administrative and other support for the operations of the San Antonio Housing Trust Fund, an Expendable Trust Fund of the City.

SAN ANTONIO LOCAL DEVELOPMENT COMPANY (SALDC) - SALDC is a non-profit corporation under agreement with the City which administers programs that provide qualifying local businesses with loans. Loan funds administered by SALDC include the Neighborhood Business Revitalization Program, U.S. Department of Commerce Title IX Revolving Loan Fund, Small Business Administration Microloan Program, and a Housing and Urban Development 108 Fund.

SAN ANTONIO WATER SYSTEM (SAWS) - SAWS serves as the City's water, wastewater, and stormwater utility. Financing is provided by user fees and the sale of revenue bonds.

CITY PUBLIC SERVICE (CPS) - CPS is the City's electric utility, which provides electricity and natural gas to the San Antonio Metropolitan Area. Financing is provided by user fees and the sale of revenue bonds.

COMPONENT UNIT GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)

	SAN ANTONIO DEVELOPMENT AGENCY	SAN ANTONIO HIGHER EDUCATION AUTHORITY	GREATER KELLY DEVELOPMENT CORPORATION	SAN ANTONIO HOUSING TRUST FOUNDATION INC.	TOTALS 1999	TOTALS 1998
Assets						
Cash and Cash Equivalents	$ 570,103	$ 26,576	$ 3,523,917	$ 1,051,614	$ 5,172,210	$ 4,993,298
Investments				454,412	454,412	464,996
Receivables:						
Notes	2,416,877				2,416,877	1,966,908
Other Accounts	5,308		3,498,724	2,565,929	6,069,961	7,271,491
Inventories of Materials and Supplies	692,096				692,096	592,454
Due from Other Governmental Agencies	909,997		6,285,754		7,195,751	867,040
General Equipment	270,864	824	47,910,105	14,015	48,195,808	35,855,052
Amount to be Provided for Long-Term Debt			42,029,230		42,029,230	35,243,813
Total Assets	$ 4,865,245	$ 27,400	$ 103,247,730	$ 4,085,970	$ 112,226,345	$ 87,255,052
Liabilities and Fund Equity						
Liabilities:						
Vouchers Payable	$ 401,556	$ 0	$ 14,604,457	$ 6,398	$ 15,012,411	$ 7,712,156
Accounts Payable-Other	306,645		492,893	8,582	808,120	563,389
Notes Payable			42,029,230		42,029,230	35,243,813
Accrued Leave Payable	288,841		85,280		374,121	57,370
Deferred Revenue			1,146,620	820,865	1,967,485	1,636,171
Due to Other Governmental Agencies		100	200,713	2,582,442	2,783,255	2,203,533
Total Liabilities	997,042	100	58,559,193	3,418,287	62,974,622	47,416,432
Fund Equity:						
Investment in General Fixed Assets	270,864	824	47,910,105	14,015	48,195,808	35,855,052
Fund Balances:						
Reserved:						
Reserved for Inventories	692,096				692,096	592,454
Reserved for Notes	2,416,877				2,416,877	1,953,492
Reserved for Other Restricted Purposes	488,366			599,463	1,087,829	1,016,332
Unreserved:						
Undesignated		26,476	(3,221,568)	54,205	(3,140,887)	421,290
Total Fund Balances	3,597,339	26,476	(3,221,568)	653,668	1,055,915	3,983,568
Total Fund Equity	3,868,203	27,300	44,688,537	667,683	49,251,723	39,838,620
Total Liabilities and Fund Equity	$ 4,865,245	$ 27,400	$ 103,247,730	$ 4,085,970	$ 112,226,345	$ 87,255,052

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(With comparative totals for September 30, 1998)

	SAN ANTONIO DEVELOPMENT AGENCY	SAN ANTONIO HIGHER EDUCATION AUTHORITY	GREATER KELLY DEVELOPMENT CORPORATION	SAN ANTONIO HOUSING TRUST FOUNDATION INC.	TOTALS 1999	TOTALS 1998
Revenues						
Intergovernmental	$ 10,424,645	$ 0	$ 24,744,471	$ 1,032,179	$ 36,201,295	$ 23,021,154
Charges for Services	113,268	11,000	10,192,398		10,316,666	3,838,732
Interest	128,578	251	2,614,651	25,355	2,768,835	222,151
In-Kind Contributions			243,231		243,231	232,713
Total Revenues	10,666,491	11,251	37,794,751	1,057,534	49,530,027	27,314,750
Expenditures						
Urban Redevelopment and Housing	10,135,043			1,070,034	11,205,077	9,347,567
Economic Development and Opportunity		2,311	52,641,806		52,644,117	20,895,951
Total Expenditures	10,135,043	2,311	52,641,806	1,070,034	63,849,194	30,243,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	531,448	8,940	(14,847,055)	(12,500)	(14,319,167)	(2,928,768)
Other Financing Sources						
Proceeds from Notes and Loans			11,280,636		11,280,636	3,683,460
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	531,448	8,940	(3,566,419)	(12,500)	(3,038,531)	754,692
Fund Balances, October 1 as Previously Reported	2,955,013	17,536	344,851	666,168	3,983,568	3,228,876
Prior Period Adjustment	110,878				110,878	
Beginning Fund Balance as Restated	3,065,891	17,536	344,851	666,168	4,094,446	3,228,876
Fund Balances, September 30	$ 3,597,339	$ 26,476	$ (3,221,568)	$ 653,668	$ 1,055,915	$ 3,983,568

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1999
(unless otherwise indicated)
(With comparative totals for September 30, 1998)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY	MAY 31, 1999 SAN ANTONIO WATER SYSTEM	JAN. 31, 1999 CITY PUBLIC SERVICE	TOTALS 1999	TOTALS 1998
Assets					
Current Assets					
Cash and Cash Equivalents	$ 1,426,540	$ 8,189,210	$ 4,501,000	$ 14,116,750	$ 92,479,266
Investments		10,932,304	81,140,000	92,072,304	
Receivables:					
Other Accounts	1,448	21,395,761	108,327,000	129,724,209	109,532,959
Notes	2,395,455	468,045		2,863,500	1,904,647
Accrued Interest	8,929	924,607		933,536	1,145,322
Due from Other Governmental Agencies	27,409			27,409	22,310
Inventories		5,056,874	82,252,000	87,308,874	83,365,006
Prepaid Expenses		520,642	7,077,000	7,597,642	8,541,270
Total Current Assets	3,859,781	47,487,443	283,297,000	334,644,224	296,990,780
Restricted Assets					
Debt Service Accounts:					
Cash and Cash Equivalents			44,365,000	44,365,000	4,073,930
Investments		2,630,204	134,001,000	136,631,204	525,546,000
Construction Accounts:					
Cash and Cash Equivalents		716,797		716,797	
Investments		35,615,770		35,615,770	29,577,084
Improvement and Contingency Accounts:					
Cash and Cash Equivalents					
Investments			424,494,000	424,494,000	291,748,000
Other Restricted Accounts:					
Cash and Cash Equivalents			717,000	717,000	50,223,000
Investments		13,675,297	89,723,000	103,398,297	72,414,288
Designated for Compensation:					
Investments					32,030,000
Total Restricted Assets		52,638,068	693,300,000	745,938,068	1,005,612,302
Property, Plant and Equipment					
Land		29,151,871		29,151,871	27,643,066
Utility Plant in Service		1,619,219,549	5,347,752,000	6,966,971,549	6,730,176,891
Machinery and Equipment	26,584	72,479,401		72,505,985	67,284,872
Construction in Progress		236,659,219	184,361,000	421,020,219	359,290,537
Nuclear Fuel -Net			36,602,000	36,602,000	44,251,000
Held for Future Use			31,384,000	31,384,000	31,384,000
Total	26,584	1,957,510,040	5,600,099,000	7,557,635,624	7,260,030,366
Less: Accumulated Depreciation		524,080,129	1,670,394,000	2,194,474,129	2,019,903,645
Net Property, Plant and Equipment	26,584	1,433,429,911	3,929,705,000	5,363,161,495	5,240,126,721
Unamortized Debt Expense		2,135,291	13,975,000	16,110,291	14,137,891
Total Assets	$ 3,886,365	$ 1,535,690,713	$ 4,920,277,000	$ 6,459,854,078	$ 6,556,867,694

(Cont'd)

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 1999
(unless otherwise indicated)
(With comparative totals for September 30, 1998)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY	MAY 31, 1999 SAN ANTONIO WATER SYSTEM	JAN. 31, 1999 CITY PUBLIC SERVICE	TOTALS 1999	TOTALS 1998
Liabilities and Fund Equity					
Current Liabilities: (Payable from Current Assets)					
Vouchers Payable	$ 120,002	$ 5,418,151	$ 107,558,000	$ 113,096,153	$ 94,758,757
Sewer Collections Payable		208,755		208,755	187,781
Other Payables and Accruals	23,299	12,023,531		12,046,830	12,792,581
Accrued Payroll		2,838,392		2,838,392	2,983,256
Accrued Leave Payable		3,539,478		3,539,478	3,232,122
Total Current Liabilities	143,301	24,028,307	107,558,000	131,729,608	113,954,497
Current Liabilities: (Payable from Restricted Assets)					
Accrued Bond and Certificate Interest		1,838,954		1,838,954	2,120,055
Current Portion of Bonds and Certificates		18,990,000	63,720,000	82,710,000	79,600,000
Customer Deposits		5,242,910	25,548,000	30,790,910	31,129,077
Contract Retainage Payable		3,626,352		3,626,352	1,914,271
Customer Advances for Construction		2,644,287	14,715,000	17,359,287	16,165,278
Total Current Liabilities (Payable From Restricted Assets)		32,342,503	103,983,000	136,325,503	130,928,681
Restricted Funds					
Long-Term Liabilities					
Revenue Bonds (Net of Current Portion)		497,240,000	2,730,575,000	3,227,815,000	3,037,228,000
Unamortized Premium		1,849,185		1,849,185	2,026,349
Less: Unamortized Discount		(17,531,624)	(19,540,000)	(37,071,624)	(71,298,169)
Deferred Amount on Refunding		(10,089,674)	(212,163,000)	(222,252,674)	(67,327,386)
Long-Term Debt/Commercial Paper	503,498	145,000,000	128,300,000	273,803,498	520,586,372
Other Payables		579,369	120,390,000	120,969,369	158,184,578
Total Long-Term Liabilities	503,498	617,047,256	2,747,562,000	3,365,112,754	3,579,399,744
Total Liabilities	646,799	673,418,066	2,959,103,000	3,633,167,865	3,824,282,922
Fund Equity					
Contributed Capital:					
Local Government	30,000			30,000	30,000
Customers		571,829,649		571,829,649	545,892,902
Total Contributed Capital	30,000	571,829,649		571,859,649	545,922,902
Retained Earnings:					
Reserved for Revenue Bond Retirement		791,250	72,000	863,250	156,240,375
Reserved for Construction		30,061,928		30,061,928	25,052,535
Reserved for Improvement and Contingency			461,903,000	461,903,000	325,371,000
Unreserved	3,209,566	259,589,820	1,499,199,000	1,761,998,386	1,679,997,460
Total Retained Earnings	3,209,566	290,442,998	1,961,174,000	2,254,826,564	2,186,661,870
Total Fund Equity	3,239,566	862,272,647	1,961,174,000	2,826,686,213	2,732,584,772
Total Liabilities and Fund Equity	$ 3,886,365	$ 1,535,690,713	$ 4,920,277,000	$ 6,459,854,078	$ 6,556,867,694

(end of statement)

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(unless otherwise indicated)
(With comparative totals for September 30, 1998)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY	MAY 31, 1999 SAN ANTONIO WATER SYSTEM	JAN. 31, 1999 CITY PUBLIC SERVICE	TOTALS 1999	TOTALS 1998
Operating Revenues					
Charges for Services	$ 942,583	$ 180,041,124	$ 1,023,876,000	$ 1,204,859,707	$ 1,155,638,511
Operating Expenses					
Contractual Services	311,109			311,109	334,403
Commodities	9,097			9,097	7,782
Gas, Electric and Water Systems - Operating and Maintenance		100,429,763	644,637,000	745,066,763	724,239,767
Depreciation Expense		44,557,473	167,686,000	212,243,473	196,481,877
Total Operating Expense	320,206	144,987,236	812,323,000	957,630,442	921,063,829
Operating Income	622,377	35,053,888	211,553,000	247,229,265	234,574,682
Nonoperating Revenues (Expenses)					
Interest and Other		5,494,022	63,244,000	68,738,022	57,410,669
Gain (Loss) on Disposition of Assets		265,539		265,539	(54,962)
Interest and Debt Expense		(30,133,433)	(148,214,000)	(178,347,433)	(217,857,302)
Other Nonoperating Expense		(5,944,699)	(38,876,000)	(44,820,699)	(5,822,260)
Total Nonoperating Revenues (Expenses)		(30,318,571)	(123,846,000)	(154,164,571)	(166,323,855)
Income before Extraordinary Item	622,377	4,735,317	87,707,000	93,064,694	68,250,827
Extraordinary Item					
(Loss) on Retirement of Bonds			(24,900,000)	(24,900,000)	
Net Income	622,377	4,735,317	62,807,000	68,164,694	68,250,827
Retained Earnings, October 1	2,587,189	285,707,681	1,898,367,000	2,186,661,870	2,118,411,043
Retained Earnings, September 30	$ 3,209,566	$ 290,442,998	$ 1,961,174,000	$ 2,254,826,564	$ 2,186,661,870

The notes to the financial statements are an integral part of this statement.

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COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(unless otherwise indicated)
(With comparative totals for September 30, 1998)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY	MAY 31, 1999 SAN ANTONIO WATER SYSTEM	JAN. 31, 1999 CITY PUBLIC SERVICE	TOTALS 1999	TOTALS 1998
Cash Flows from Operating Activities					
Cash Received from Customers	$ 939,091	$ 180,315,923	$ 1,006,214,000	$ 1,187,469,014	$ 1,156,937,933
Cash Payments to Suppliers for Goods and Services	(214,334)	(66,645,645)	(537,278,000)	(604,137,979)	(590,875,240)
Cash Payments to Employees for Service		(36,846,303)		(36,846,303)	(34,961,600)
Other Nonoperating Expenses		(3,413,177)	(38,876,000)	(42,289,177)	(3,024,847)
Net Cash Provided by Operating Activities	724,757	73,410,798	430,060,000	504,195,555	528,076,246
Cash Flows From Capital and Related Financing Activities					
Acquisition and Construction of Capital Assets	(4,800)	(118,190,270)	(284,370,000)	(402,565,070)	(292,656,226)
Proceeds from Issuance of Long-Term Debt		75,000,000		75,000,000	17,700,000
Proceeds from Joint Operations Agreement			18,062,000	18,062,000	
Proceeds from Litigation Settlement			12,109,000	12,109,000	
Redemption of Commercial Paper			(34,900,000)	(34,900,000)	
Debt Issuance Cost		(184,644)		(184,644)	(2,703,340)
Principal Payments on Long-Term Debt	(82,874)	(17,960,000)	(226,960,000)	(245,002,874)	(306,697,296)
Interest Paid on Long-Term Debt		(34,606,618)	(180,082,000)	(214,688,618)	(221,440,381)
Proceeds from Sale of Assets		1,125,839		1,125,839	520,979,440
Capital Contributed for Construction		8,468,214	6,887,000	15,355,214	16,085,289
Net Cash (Used for) Capital and Related Financing Activities	(87,674)	(86,347,479)	(689,254,000)	(775,689,153)	(268,732,514)
Cash Flows From Investing Activities					
Purchase of Investment Securities		(161,279,203)	(1,423,740,000)	(1,585,019,203)	(1,509,321,067)
Maturity of Investment Securities		139,700,000	1,571,655,000	1,711,355,000	1,309,326,075
Proceeds from Notes Receivable Collections	405,193			405,193	292,541
Loans Disbursed	(896,000)			(896,000)	(614,298)
Interest on Investments		5,705,959	53,082,000	58,787,959	58,312,855
Net Cash Provided by (Used for) Investing Activities	(490,807)	(15,873,244)	200,997,000	184,632,949	(142,003,894)
Net Increase (Decrease) in Cash and Cash Equivalents	146,276	(28,809,925)	(58,197,000)	(86,860,649)	117,339,838
Cash and Cash Equivalents, October 1	1,280,264	37,715,932	107,780,000	146,776,196	29,436,358
Cash and Cash Equivalents, September 30	$ 1,426,540	$ 8,906,007	$ 49,583,000	$ 59,915,547	$ 146,776,196

(Cont'd)

The notes to the financial statements are an integral part of this statement.

COMPONENT UNIT PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(With comparative totals for September 30, 1998)

	SAN ANTONIO LOCAL DEVELOPMENT COMPANY	MAY 31, 1999 SAN ANTONIO WATER SYSTEM	JAN. 31, 1999 CITY PUBLIC SERVICE	TOTALS 1999	TOTALS 1998
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	$ 622,377	$ 35,053,888	$ 211,553,000	$ 247,229,265	$ 234,574,682
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation		44,557,473	167,686,000	212,243,473	196,481,877
Other Nonoperating Expenses		(3,413,177)	(38,876,000)	(42,289,177)	(3,024,847)
Amortization Expense			47,518,000	47,518,000	47,311,000
Accretion of Capital Appreciation Bond Discount			17,181,000	17,181,000	19,208,000
Allowance for Interest Used During Construction					(4,743,000)
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(648)		(17,662,000)	(17,662,648)	5,515,000
(Increase) Decrease in Other Accounts Receivable	2,406	380,992	280,000	663,398	(16,667,706)
(Increase) Decrease in Accrued Revenues	(151)	718,325		718,174	81,172
(Increase) in Due from Other Govt. Agencies	(5,099)			(5,099)	(1,400)
(Increase) Decrease in Inventories		(275,868)	(3,668,000)	(3,943,868)	8,647,942
(Increase) Decrease in Prepaid Expenses		(456,372)	1,400,000	943,628	(415,715)
Increase (Decrease) in Vouchers Payable	119,551	(2,071,156)	18,626,000	16,674,395	6,901,957
Increase (Decrease) in Other Payables	(13,679)	(1,118,632)	26,233,000	25,100,689	34,649,705
(Decrease) in Accrued Payroll		(144,864)		(144,864)	(351,862)
Increase in Accrued Leave Payable		307,356		307,356	245,198
(Decrease) in Customer Deposits		(127,167)	(211,000)	(338,167)	(335,757)
Net Cash Provided by Operating Activities	$ 724,757	$ 73,410,798	$ 430,060,000	$ 504,195,555	$ 528,076,246
Noncash Investing, Capital and Financing Activities:					
Acquisition and Construction of Capital Assets from Capital Contributions	$ 0	$ 19,784,949	$ 0	$ 19,784,949	$ 17,638,909

(end of statement)

The notes to the financial statements are an integral part of this statement.

TABLE OF NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of San Antonio (City) have been prepared in conformance with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards. The following is a summary of significant accounting policies of the City.

A. Reporting Entity

In the evaluation of how to define the City for financial reporting purposes, management considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement No. 14, "The Reporting Entity". The underlying concept of the financial reporting entity is that elected officials are "accountable" to their constituents for their actions. One of the objectives of this concept is to provide users of governmental financial statements with a basis for assessing the accountability of those elected officials, and accordingly, the definition of the financial reporting entity is based on accountability.

The financial reporting entity consists of: (a) the primary government (in these financial statements the primary government is the City), (b) component units, which are legally separate organizations for which the City is financially accountable (blended), and (c) component units, which the nature and significance of their relationship with the City is such that exclusion from the reporting entity's financial statements would be misleading or incomplete (discretely presented).

Using the criteria of GASB Statement No. 14 outlined below, potential component units were evaluated for inclusion in or exclusion from the reporting entity, and further evaluated for financial statement presentation. Based on their individual relationships with the City, some component unit financial statements were blended as though they are part of the City and others only discretely presented.

The following criteria (as set forth in GASB Statement No. 14) were used in the evaluation of potential component units of the City:

1) Legally separate

2) Financial accountability
   a) Appointment of a voting majority
   b) Imposition of will
   c) Financial benefit to or burden on the City
   d) Fiscal dependency

3) The relationship with the City is such that exclusion would cause these financial statements to be misleading or incomplete.

4) Service rendered by the potential component unit is provided entirely or almost entirely to the City.

The criteria outlined above was excerpted from GASB Statement No. 14. For a more detailed explanation of the criteria established by this Statement, we refer the reader to the Codification of Governmental Accounting and Financial Reporting Standards, as of June 30, 1999, published by GASB, Section 2600. Based upon the application of the criteria outlined above, the following is a brief review of component units included in the reporting entity:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Reporting Entity (Continued)

Blended with the Primary Government (the relationship among the following component units and the City meet the criteria, as set forth in GASB Statement No. 14, for inclusion in the Reporting Entity and is such that the financial statements are blended in with those of the City):

City of San Antonio Health Facilities Development Corporation

The City of San Antonio Health Facilities Development Corporation (HFDC) was established by Ordinance No. 55400, dated June 3, 1982, in accordance with state laws for the purposes of, and to act on behalf of, the City as a health facilities development corporation under the Texas Health Facilities Development Act of 1981. The HFDC is authorized to issue tax-exempt health facility revenue bonds, for which the City is not obligated in any manner, to finance health related projects in support of the promotion, expansion, and improvement of health facilities. The HFDC is governed by a Board of Directors which is comprised of the City Council of the City of San Antonio.

City of San Antonio Industrial Development Authority

The City of San Antonio Industrial Development Authority (IDA) was established by Resolution No. 79-48-100 dated October 11, 1979 in accordance with state laws for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City as an industrial development corporation under the Development Corporation Act of 1979. The IDA is authorized to issue tax-exempt industrial revenue bonds, for which the City is not obligated in any manner, to finance qualified projects which may further the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The IDA is governed by a Board of Directors which is comprised of the City Council of the City of San Antonio.

San Antonio Fire and Police Pension Fund

The San Antonio Fire and Police Pension Fund (Pension Fund) is a Single Employer Defined Benefit Plan established in accordance with state law. The Pension Fund is administered by a nine member Board of Trustees, including three City Council Members. The City and Pension fund participants are obligated to make all contributions to the Pension Fund in accordance with rates established by state law. Benefit levels are also set by state law. Services rendered by the Pension Fund are exclusively for the benefit of eligible firefighters and police officers upon retirement.

San Antonio Fire and Police Retiree Health Care Fund

The City of San Antonio Firefighters' and Police Officers' Retiree Prefunded Group Health Plan was created in October 1989 in accordance with the provisions of the City's contracts with the local fire and police unions, respectively, to provide postemployment healthcare benefits to uniformed employees who retired on or after October 1, 1989. Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the Fire and Police Retiree Health Care Fund ("Health Fund"), was created to provide these postemployment healthcare benefits for eligible uniformed employees of the City. The Health Fund is administered by a nine member board of trustees, including three City Council Members, and is funded primarily by contributions from the City and contributions made by retirees on behalf of their dependents. City and retiree contribution rates are established pursuant to Fire and Police collective bargaining agreements. See Note 16, Equity Transfer, for additional details on the transfer of funds from the City to the Board of Trustees during fiscal year 1998.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A. Reporting Entity (Continued)

Discretely Presented With the Primary Government (the relationship among the following component units and the City is such that they meet the criteria, as set forth in GASB Statement No. 14, for inclusion in the reporting entity, and accordingly are included, however are such that the financial statements are discretely presented alongside, but not blended with those of the City):

San Antonio Water System

On February 13, 1992, the City Council determined it was in the best interest of the citizens of San Antonio and the customers served by the water and wastewater utilities to consolidate all water utilities, agencies, and activities into one institution. It was determined that the best mechanism for effecting the consolidation of all water systems, agencies, and activities into a single institution was through a refunding of all the then outstanding water and sewer bonds. The consolidation was consummated on May 19, 1992 with the creation of the San Antonio Water System (SAWS) which included the former City Water Board, Alamo Water Conservation and Re-use District, and the City's Sewer and Stormwater System.

Additionally, it was further determined by the City Council that the interests of the citizens and customers could best be served by placing authority for management and control of SAWS, as consolidated, in a Board of Trustees. This Board of Trustees includes the City's Mayor as an ex-officio member along with six members appointed by the City Council for four year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

City Public Service

City Public Service (CPS), the City's utility, provides electricity and natural gas to San Antonio and the surrounding areas. CPS is governed by a Board of Trustees which is comprised of four members appointed by City Council and the Mayor of the City as an ex-officio member. The rates for user charges and bond issuance authorizations are approved by the City Council.

San Antonio Development Agency

The San Antonio Development Agency (SADA) was created under the provisions of the Urban Renewal Law of the State of Texas. SADA is responsible for implementing the City's Urban Renewal Program and may designate, for urban renewal, such areas as it deems advisable, subject to approval by the City Council and the Federal Agency which administers the overall program. SADA receives a majority of its operating funds from the City as pass-through grant funds and is governed by a seven member Board of Commissioners appointed by the City Council.

San Antonio Higher Education Authority

The City of San Antonio Higher Education Authority (CSAHEA) was established in 1984, in accordance with state laws for the purpose of aiding non-profit institutions of higher education in providing educational, housing, and other related facilities in accordance with and subject to the provisions of Section 53.35 (b) Texas Education Code, all to be done on behalf of the City and as its duly constituted authority and instrumentality. The Act authorizes the corporation to issue revenue bonds for these purposes on behalf of the City but the bonds are not obligations of the City. CSAHEA is governed by an eleven member Board of Directors appointed by the City Council for two year terms.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Greater Kelly Development Corporation

The Greater Kelly Development Corporation (GKDC) is a non-profit corporation established in 1996 under the laws of the State of Texas. The GKDC was created for the purpose of monitoring the proposed closing of Kelly Air Force Base (Kelly); conducting comprehensive studies of all issues related to the closure, conversion, redevelopment, and future use of Kelly; reviewing all options relative to the most appropriate uses of Kelly and the surrounding area; formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly and submitting such plan to the appropriate agency or agencies of the federal government; and implementing such plan as it relates to Kelly and the surrounding area. The GKDC is authorized to issue bonds to finance any project as permitted by the Development Corporation Act of 1979, Texas Revised Civil Statutes, but said bonds are not obligations of the City. GKDC is governed by an eleven member Board of Directors appointed by the City Council.

San Antonio Housing Trust Foundation, Inc.

The San Antonio Housing Trust Foundation, Inc. (SAHTF) is a non-profit corporation incorporated in 1990 under the laws of the State of Texas. SAHTF was organized for the purposes of supporting charitable, educational, and scientific undertakings, specifically for providing housing for low and middle income families and to provide administrative and other support for the operations of the City of San Antonio Housing Trust Fund, an Expendable Trust Fund of the City. The Housing Trust Fund was established by the City for the purposes of providing additional and continuing housing opportunities for low and moderate income families; promoting public health, safety, convenience, and welfare; and revitalizing neighborhoods and the downtown area through appropriate housing activities. SAHTF is governed by an eleven member Board of Directors appointed by the City Council.

San Antonio Local Development Company, Inc.

The San Antonio Local Development Company, Inc. (SALDC) is a non-profit corporation organized in 1978 under the laws of the State of Texas and the auspices of the City. SALDC was formed to participate in the Neighborhood Business Revitalization Program (NBRP) which is co-sponsored by the Small Business Administration (SBA), the Economic Development Administration, and the U.S. Department of Housing and Urban Development (HUD).

SALDC, under agreement with the City, administers and operates a revolving loan fund, NBRP, that provides qualifying local businesses with loans under economic development programs administered by the SBA. SALDC also administers, by agreement with the City, a U.S. Department of Commerce Title IX Revolving Loan Fund, SBA MicroLoan Program and a HUD 108 Fund. SALDC is governed by a thirty-three member Board of Trustees, appointed by the City Council, and an eleven member Board of Directors appointed by the Board of Trustees.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Essential disclosures related to the above mentioned discretely presented and blended component units are included in the complete financial statements of each of the individual component units. These statements may be obtained at the respective entity's administrative office. The addresses are as follows:

<u>Discretely Presented Component Units</u>

San Antonio Water System
P.O. Box 2449
San Antonio, Texas 78298
Contact Person: Alex Hinojosa
Telephone No. (210) 704-7297

City Public Service
P. O. Box 1771
San Antonio, Texas 78296
Contact Person: Gary Schaub
Telephone No. (210) 978-2484

San Antonio Development Agency
115 E. Travis, Suite 800
San Antonio, Texas 78205
Contact Person: Doug Aloise
Telephone No. (210) 225-6833

San Antonio Higher Education Authority
P.O. Box 830504
San Antonio, Texas 78283-0504
Contact Person: Manuel Longoria, Jr.
Telephone No. (210) 207-8080

Greater Kelly Development Corporation
143 Billy Mitchell Blvd., Ste 6
San Antonio, Texas 78241-6016
Contact Person: Paul Roberson
Telephone No. (210) 977-7800

San Antonio Housing Trust Foundation, Inc.
P. O. Box 2060
San Antonio, Texas 78297
Contact Person: Tim Hathaway
Telephone No. (210) 225-4761

San Antonio Local Development Company, Inc.
P.O. Box 830505
San Antonio, Texas 78283-0505
Contact Person: Manuel Longoria, Jr.
Telephone No. (210) 207-8080

<u>Blended Component Units</u>

City of San Antonio Health Facilities Development Corporation
P. O. Box 830504
San Antonio, Texas 78283-0504
Contact Person: Manuel Longoria, Jr.
Telephone No. (210) 207-8080

City of San Antonio Industrial Development Authority
P. O. Box 830504
San Antonio, Texas 78283-0504
Contact Person: Manuel Longoria, Jr.
Telephone No. (210) 207-8080

San Antonio Fire and Police Pension Fund
311 Roosevelt
San Antonio, Texas 78210-2700
Contact Person: Larry Reed
Telephone No. (210) 534-3262

San Antonio Fire and Police Retiree Health Care Fund
300 Convent Street, Suite 2500
San Antonio, Texas 78205
Contact Person: Paul Villarreal
Telephone No. (210) 220-1339

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to CPS and SAWS would be misleading. CPS and SAWS have been identified as significant discretely presented component units both as they relate to total component units and to the primary government. Therefore, relevant disclosures have been included in the City's financial statements.

Related Organizations

The City Council appoints the members to the Board of Directors for the San Antonio Housing Authority. However, the City's accountability for this entity does not extend beyond making appointments to the Board of Directors and the coordination and approval of strategic plans.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund equity and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three broad fund categories, seven generic fund types, and two account groups as follows:

1. Governmental Funds

General Fund - The General Fund of the City accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

2. Proprietary Funds (Continued)

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City's self-insurance programs, data processing programs, and other internal service programs are accounted for in this fund type.

3. Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Pension Trust, Retiree Health Care Trust, Expendable Trust and Agency Funds. Pension Trust and Retiree Health Care Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are self-balancing groups of accounts that are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations. Public domain ("infrastructure") improvements, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation is recorded for general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Gross receipts and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt.

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basis of Accounting (Continued)

Governmental Funds and Expendable Trust Funds are accounted for on a spending or "current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "current financial resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "current financial resources" during the period.

Special reporting treatment is also applied to governmental fund inventories to indicate that they do not represent "current financial resources", even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Proprietary, Pension Trust, and Retiree Health Care Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. These Funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The reported Proprietary Fund type equity (net assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

The City, for its proprietary activities, applies all applicable GASB Statements as well as FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989 in accordance with the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The City and its discretely presented proprietary component units, CPS and SAWS, have elected not to apply any FASB Statements and Interpretations issued after November 30, 1989.

D. Encumbrance Accounting

Encumbrances, which represent commitments for open purchase orders or unperformed contracts for goods or services, are reported as a reservation of fund balance in the General Fund, Special Revenue Funds, Capital Projects Funds, and Expendable Trust Funds. These outstanding encumbrances serve as authorization for expenditures in the subsequent year.

Encumbrances are reflected in the General Fund and Special Revenue Funds Combined Statement of Revenues, Expenditures, Encumbrances and Changes in Fund Balance–Budget and Actual to provide a more meaningful comparison with budget but are not considered expenditures in the financial statements.

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. GASB Implementations

SAWS adopted GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" for its fiscal year ending May 31, 1999. The objective of this Statement is to enhance the understandability and usefulness of pension information disclosed in the financial statements of state and local governmental entities. The City and CPS completed the implementation of Statement No. 27 for fiscal year 1998.

During fiscal year 1998, the City implemented the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This Statement provides guidance with respect to valuation, accounting, and financial reporting of investments for governmental entities. SAWS and CPS implemented the provisions of GASB Statement No. 31 for their respective fiscal year ends of May 31, 1999 and January 31, 1999.

CPS implemented the provisions of GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" effective with their fiscal year ending January 31, 1999. The City and SAWS implemented Statement No. 32 for the City's fiscal years ended September 30, 1997 and September 30, 1998, respectively, with regard to the deferred compensation plans administered by the International City Management Association (ICMA) and Nationwide Retirement Solutions (Nationwide). During fiscal year 1999, the City administered plan was closed and all remaining assets were rolled over to the City sponsored deferred compensation plans (ICMA and Nationwide). As such, GASB Statement No. 32 has been fully implemented for the fiscal year ended September 30, 1999 and the deferred compensation plans assets and corresponding liabilities are no longer reported in the financial statements of the City, SAWS, and CPS.

F. Budgets

The City Charter establishes requirements for the adoption of budgets and budgetary control. Under provisions of the Charter, expenditures of each City function and activity within individual funds cannot legally exceed the final budget approved by the City Council. Amendments to line items within a departmental budget may be initiated by departmental directors. During the year, several supplementary appropriations which were not considered material were made and all amendments complied with City Charter requirements.

The City prepares an annual budget for its General Fund, Special Revenue Funds (with the exception of the Special Revenue Home Program, Categorical Grant-In-Aid, Housing and Urban Development 108 Loan Program, and Community Development Program Funds), and the Debt Service Fund. In addition, budgets are not adopted by the City for the San Antonio Industrial Development Authority or the San Antonio Health Facilities Development Corporation, which have been presented as blended component units based on GASB Statement No. 14.

Budgets for the Special Revenue Home Program, Categorical Grant-In-Aid, Housing and Urban Development 108 Loan Program, and Community Development Program Funds as well as the Capital Projects Funds are adopted on a project basis rather than on an annual basis. Appropriations in these funds remain open and carryover to succeeding years until the related expenditures are made or until they are modified or canceled.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets (Continued)

The annual budgetary data reported for the General Fund, Special Revenue Funds, and Debt Service Funds represent the original appropriation ordinance and amendments thereto as adopted by the City Council, adjusted for encumbrances outstanding at the beginning of the fiscal year. All annual appropriations lapse at fiscal year end.

The following provides a summary of the City's budgeting policy with respect to Special Revenue Funds based on actual fiscal year 1999 results:

Special Revenue Funds

	Actual		
	Revenues	Expenditures	Other Sources
Budgeted on an annual basis	$ 90,858	$ 111,933	$ 8,975
Less: Encumbrances		(3,905)	12,221
Budgeted on a project basis	161,722	164,469	3,469
Subtotal	$ 252,580	$ 272,497	$ 24,665
Blended Component Units	3	3	0
Total Special Revenue Funds	$ 252,583	$ 272,500	$ 24,665

The budget is prepared using the modified accrual basis of accounting except for the recognition of encumbrances within the expenditure appropriations. Included in the above summary are blended component units which do not adopt a budget but are merely included to facilitate reconciliation.

G. Cash, Cash Equivalents and Investments

The City's investment practices are governed by state statutes and by the City's Investment Policy. City cash is required to be deposited in FDIC-insured banks located within the State of Texas. A pooled cash and investment strategy is utilized which enables the City to have one central depository. Investments are pooled into two primary categories, operating funds and debt service funds. The balances in these funds are invested in an aggregate or pooled amount with principal and interest income distributed to each respective fund on a pro rata basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. In its investment portfolio, the only derivative products utilized by the City are callable bonds and U.S. Treasury Strips. As of September 30,.1999, the City's investment portfolio did not contain any other derivative products nor is it leveraged in any way. For a listing of authorized investments, see Note 3.

The City implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" in fiscal year 1998. The City's policy with respect to money market investments which had a remaining maturity of one year or less at the time of purchase is to report those investments at amortized cost which approximates fair value. The change in fair value of investments with a remaining maturity of greater than one year was immaterial as of fiscal year end. Amortization of premium or accretion of discount is recorded over the term of the investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Investments (Continued)

For purposes of the statement of cash flows, the City, SAWS and CPS consider all highly liquid investments with an original maturity of approximately ninety days or less to be cash equivalents.

H. Property Taxes

The City recognizes revenues from property taxes in the period for which they were levied. Property taxes receivable include taxes due and amounts expected to be collected within 60 days after the period end, along with related interest and penalties. For additional disclosure related to property taxes, see Note 2.

I. Inventories

Inventories of materials and supplies consist principally of expendable items held for consumption and are stated at cost, based on first-in, first-out and lower of average cost or market methods. For governmental and proprietary fund types, the "consumption" method is used to account for inventories. Under the consumption method, inventory acquisitions are recorded in inventory accounts and charged as expenditures (governmental fund types) or expenses (proprietary fund types) when used.

J. In-Kind Contributions

In-Kind contributions, which include contributions provided by private organizations and local governments, are used to match the requirements of federal and state grants. These in-kind contributions are recorded as revenues and expenditures in the individual grants in accordance with the respective grants' legal requirements and are valued at estimated fair value at the date of receipt.

K. Fixed Assets and Depreciation

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation on all exhaustible fixed assets of the City used by proprietary funds is charged as an expense with accumulated depreciation being reported on the balance sheet. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives applied are as follows:

Buildings	25 - 40 years
Improvements other than buildings	10 - 40 years
Machinery and equipment	2 - 10 years

Interest costs incurred during the construction of Enterprise Fund fixed assets are capitalized into the cost of the assets being constructed based upon guidelines established by the Statement of Financial Accounting Standards No. 62.

The CPS utility plant is stated at the cost of construction, including costs of contracted services, direct material and labor, indirect costs, including general engineering, labor and material overhead, and an allowance for interest used during construction (AIUDC). CPS computes AIUDC using rates representing the cost of borrowed funds on projects estimated to cost in excess of $250. Proceeds from customers to partially fund construction expenditures are credited against costs for the projects. Retirements of utility plant, together with removal costs less salvage

(amounts are expressed in thousands)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. Fixed Assets and Depreciation (Continued)

value, are charged to accumulated depreciation. The maintenance of property, as well as replacements and renewals of items determined to be less than a unit of property, are charged to maintenance expense. General utility plant assets consist of land, buildings, and equipment for general and administrative purposes that are commonly used in electric and gas operations.

CPS computes depreciation using the straight-line method over the estimated service lives of the various classes of depreciable property. Depreciation as a percentage of the average depreciable plant was 3.16% in 1999.

CPS amortizes its share of nuclear fuel for the South Texas Project (STP) to fuel expense on a unit-of-production method. Under the Nuclear Waste Policy Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. CPS is charged a fee for disposal of spent nuclear fuel, which is included in fuel expense, in the amount of $.00093 per generated kilowatt hour (KWH) for its share of electricity produced by STP. For further discussion regarding the STP, see Note 10.

The SAWS utility plant in service is recorded on the basis of cost. Assets acquired through capital leases are recorded on the cost basis and are included in utility plant in service. Assets acquired through contributions, such as those from land developers, are capitalized and recorded in the plant accounts at estimated fair value at date of donation. SAWS capitalizes certain interest costs on revenue bonds and commercial paper associated with newly constructed utility plant additions. Maintenance, repairs, and minor renewals are charged to operating expense, while major plant replacements are capitalized.

SAWS' utility plant is depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains. Groups of mains are depreciated on the straight-line method using rates estimated to fully amortize the costs of the asset group over their estimated average useful life. The following estimated average useful lives are used in providing for depreciation of the SAWS utility plant:

Structures and improvements	50 years
Pumping and purification equipment	10 - 50 years
Distribution and transmission system	25 - 50 years
Collection system	50 years
Treatment facilities	25 years
Equipment and machinery	5 - 20 years
Furniture and fixtures	20 - 50 years
Computer equipment	10 years
Software	3 - 5 years

L. General Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. Amounts estimated to be required for debt service on general bonded debt are provided by allocated property taxes, interest earned within the Debt Service Fund, and transfers from other funds.

M. Compensated Absences

Annual leave pay is accrued as earned for City non-uniformed employees and uniformed fire and police employees. In addition, the City's uniformed fire and police employees accrue sick leave pay. The current portion of the liability resulting from the accrual of these compensated absences related to governmental fund types is

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

M. Compensated Absences (continued)

recorded in the respective governmental fund while the long-term portion is accounted for in the General Long-Term Debt Account Group. The current and long-term portions of the liability related to proprietary fund types is accounted for in the respective proprietary fund.

N. Deferred Compensation Plans

The City, CPS, and SAWS offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans allow employees to defer a portion of their salary until future years. Once deferred, this compensation is not available to employees until termination, death, disability, retirement, or unforeseeable emergency.

The Small Business Protection Act of 1996 was signed into law on August 20, 1996 and as a result, certain provisions of the Internal Revenue Code 457 were amended. Under the amended provisions, all existing 457 plan assets must be held in a custodial account, trust or annuity contract for the benefit of participants and their beneficiaries by no later than January 1, 1999. Prior to the amendments of Internal Revenue Code 457, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were solely the property and rights of the employer and participant rights were equal to those of general creditors of the employer. Once a trust, custodial account or annuity contract exists, assets are no longer subject to the claims of the employer's general creditors, and all compensation deferred into the plan, all property purchased with those amounts, and all income attributable cannot be used for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

The City's deferred compensation plans were administered by (a) the City; (b) International City Management Association (ICMA) Retirement Corporation, and (c) Nationwide Retirement Solutions (Nationwide). As of January 1, 1997, assets of the ICMA and Nationwide deferred compensation plan have been transferred to a qualified trust or custodial account in accordance with the amended provisions of Internal Revenue Code 457. Accordingly, assets related to these plans are no longer reported in the Agency Funds of the City. During fiscal year 1999, the City administered plan was closed and all remaining assets were rolled over to the City sponsored deferred compensation plans (ICMA and Nationwide).

In February 1998, CPS trustees approved the amendment and restatement of the deferred compensation plan to provide that two trusts hold all assets of the plan for the exclusive benefit of the participants and beneficiaries. As such, CPS no longer reports the Deferred Compensation Plan assets and corresponding liability on its balance sheet as of January 31, 1999. Deferred Compensation Plan funds are managed by an independent trustee and the plan receives no contribution from CPS.

SAWS' deferred compensations plans are administered by ICMA and Nationwide. During the fiscal year ended May 31, 1998, SAWS implemented the amended provisions of Internal Revenue Code 457. Assets of the ICMA and Nationwide deferred compensation plans were transferred to a qualified trust or custodial account in accordance with the amended provisions of Internal Revenue Code 457. As such, SAWS no longer reports the Plan assets and corresponding liability in its financial statements.

O. Insurance

Activity for the City's self-insurance programs is recorded in the Self-Insurance Fund Group. Assets and obligations related to property and casualty liability, employee health benefits, workers' compensation, unemployment compensation, extended sick leave, and employee wellness are included in the Self-Insurance Funds.

(amounts are expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Insurance (Continued)

The City is insured for property and casualty liability. As of the fiscal year end, the City's property was insured by Royal Lloyds of Texas, while excess liability coverage was provided by the Fireman's Fund Insurance Company of Ohio. Related liabilities are accrued based on the City's estimates of the aggregate liability for claims made, and claims incurred but not reported prior to the end of the fiscal year.

The City also provides employee health, workers' compensation, and unemployment benefits under its self-insured programs. The City is a member of the Texas Municipal League Workers' Compensation Joint Insurance Fund, and uses this fund as a mechanism for administering workers' compensation claims for employees that occurred prior to September 30, 1986. Workers' compensation claims that occurred after October 1, 1986, are administered by third party administrators. In addition, the City has excess workers' compensation coverage through the General Reinsurance Corporation at September 30, 1999. All workers' compensation loss contingencies, including claims incurred but not reported, are recorded by the City.

Employee health benefit liabilities are determined and accrued based upon the City's estimates of aggregate liabilities for unpaid benefits. Regarding unemployment compensation, the City is subject to the State of Texas Employment Commission Act. Under this act, the City's method for providing unemployment compensation is to reimburse the State for claims paid by the State.

All insurance carriers providing coverage for the City are required to possess an A.M. Best Company rating of A- or better, where A- denotes "Excellent". A.M. Best is an industry recognized rating service for Insurance Companies. For a more detailed explanation of the City's self-insurance programs, see Note 13.

P. Amortization of Federally Contributed Capital

Contributed capital, related to fixed assets acquired by federal or state grants, is being amortized over periods equal to the lives of assets purchased from such contributions of capital.

Q. Fund Equity

Reservations of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative plans identified by management that are subject to change. Designations are utilized in the City's governmental funds for amounts which have been designated for subsequent year's expenditures and amounts allocated to making future improvements and replacements. The proprietary fund's contributed capital represents equity acquired through grants and capital contributions from customers and other funds.

R. Revenue Recognition

Governmental-type funds record revenues on the modified accrual basis of accounting. That is, revenues are recorded when they are considered susceptible to accrual, meaning that the revenues are both measurable and available to finance current operations. Revenues from property taxes, sales taxes, licenses, interest revenue and charges for services are considered susceptible to accrual. Proprietary-type funds record revenues when earned.

CPS revenues are recognized as they are billed on a cycle basis. CPS rate schedules include fuel and gas cost adjustment clauses that permit recovery of fuel and gas costs in the month incurred. CPS reports fuel and distribution gas costs on the same basis as it recognizes revenue. SAWS revenues are recognized when earned under the accrual basis and flow of economic resources measurement focus.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Nuclear Decommissioning

In July 1990, CPS, together with the other owners of the STP, filed with the Nuclear Regulatory Commission (NRC) a certificate of financial assurance for the decommissioning of the nuclear plant. The certificate assures that CPS will meet the minimum decommissioning funding requirements mandated by the NRC. The STP owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically. In 1994, the owners conducted a review of decommissioning costs. The results estimated CPS' share of decommissioning costs at approximately $270,000 in 1994 dollars, which also exceeded NRC minimum requirements.

In 1991, CPS started accumulating the decommissioning funds in an external trust, in accordance with the NRC's regulations. Effective with the fiscal year ending January 31, 1999, the Decommissioning Trust assets and related liabilities are included in CPS' financial statements as a component unit. The assets and liabilities of the prior period have been restated accordingly. At January 31, 1999, CPS had accumulated approximately $89,500 of decommissioning funds in the external trust. Based on the annual calculation of financial assurance required by the NRC, CPS' trust balance exceeded the calculated financial assurance amount of $45,800 at December 31, 1998. Based upon the 1994 decommissioning cost study, the annual levelized funding into the trust of $8,800 for 1999 was expensed by CPS.

T. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

U. Other Budget Disclosures

Excesses of expenditures, transfers and encumbrances over appropriations occurred as follows:

Excesses of Expenditures, Transfers and Encumbrances Over Appropriations

Fund/Expenditures	Appropriations	Expenditures, Transfers and Encumbrances	Excess Expenditures, Transfers and Encumbrances over Appropriations
Special Revenue Funds:			
Alamodome Fund	$ 7,854	$ 7,856	$ 2
Hotel-Motel Tax Capital Improvement Fund	8,671	8,684	13
Otto Koehler Park Fund	172	276	104
Confiscated Property Fund	1,938	3,352	1,414
Streets/Maintenance and Improvement Fund	42,530	43,200	670
Child Safety Fund	1,537	1,625	88
Nelson Wolff Stadium	824	845	21
Stormwater Operating Fund	17,639	18,312	673

(amounts are expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Other Budget Disclosures (Continued)

In addition, the expenditures in the following function categories in the General Fund exceeded their respective appropriations: Streets and Roadways expenditures exceeded appropriations by $67 and Sanitation expenditures exceeded appropriations by $105. The excess expenditures and transfers over appropriations were fully offset by excess actual revenues or fund balances. No deficit fund balances resulted from these excesses.

V. Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

W. Restatement of Prior Year Balances

For fiscal year 1999, City Public Service (CPS), a discretely presented component unit, included the assets and liabilities related to the CPS Restated Decommissioning Master Trust for the South Texas Project (the Decommissioning Trust) in its financial statements. Accordingly, CPS has also restated the prior year assets and liabilities. The effect of this change resulted in an increase of an asset and a corresponding liability in an amount of $72,783 for the prior fiscal year. Restatement of fund balances for the prior year were not necessary. Additionally, in accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the current period beginning CPS' deferred compensation fund balance was restated to remove the related information from the Balance Sheet at January 31, 1999. The prior period information for fiscal year 1998 was not retroactively restated and was reported at market value as a non-current asset.

During the year, management of the San Antonio Development Agency, a discretely presented component unit, discovered certain errors in its financial statements as of September 30, 1998. For fiscal year 1999, the beginning fund balance has been increased by $111.

2. PROPERTY TAXES

Property taxes are levied and due upon receipt on October 1, attached as an enforceable lien on property as of January 1, and become delinquent the following February 1. Effective for fiscal year 1999, the City executed an inter-local agreement with the Bexar County Tax Assessor/Collector's Office to provide property tax billing and collection services at the same level of service to its citizens as previously provided by the City.

Property tax revenues are recognized when they become available which means when due, or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. The amount of delinquent taxes collected in October and November, 1999 was not material to these financial statements and, therefore, have not been recognized as revenue. Property tax receivables, including related interest and penalty receivables, net of allowances for uncollectible amounts, represent amounts the City believes will ultimately be collected. Property tax receivables, net of allowances for uncollectible amounts, are offset by deferred revenues. The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to $2.50 per $100 of taxable valuation. The tax rate approved by City ordinance for the year ended September 30, 1999 was $0.57979 per $100 taxable valuation, which means that the City has a tax margin of $1.92021 per $100 taxable valuation and could raise an additional $600,134 per year based on the net taxable valuation of $31,253,551 before the limit is reached.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

City monies are deposited in demand accounts at the City's approved depository. The City utilizes a pooled cash and investment strategy with each fund's cash balance and pro rata share of highly liquid investments, including U.S. Treasury securities, U.S. Government Agency securities, and Repurchase Agreements with original maturities of ninety days or less, summarized by fund type and included in the combined balance sheet as Cash and Cash Equivalents. Overdrafts which result from a fund overdrawing its share of pooled cash are reported as inter-fund payables by the overdrawn fund and as inter-fund receivables of the General Fund.

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Collateral pledged for demand deposits and certificates of deposit is required to be held in the City's name by the trust or safekeeping department of a bank other than the pledging bank.

Written custodial agreements are required which provide, among other things, that the collateral securities are held separate from the assets of the custodial banks. The City periodically determines that the collateral has a market value adequate to cover the deposits and that the collateral has been segregated either physically or by book entry. At fiscal year-end, cash deposits for the City were entirely collateralized by the City's depository.

During fiscal year 1996, the City entered into Repurchase Agreements in connection with the investment of certain bond proceeds. Although these Repurchase Agreements are considered securities for purposes of credit risk classification, due to their 100% overnight liquidity, they are included with Cash and Cash Equivalents in the combined balance sheet.

The investment policy of the City is governed by state statute and by its own written investment policy. Authorized investments include: demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. Government Agencies, commercial paper, and repurchase agreements. The City maintains in its investment portfolio U.S. Treasury securities and U.S. Government Agency securities with original maturities of more than ninety days. Each fund's pro rata share of these longer term investments is combined with similar non-pooled securities (i.e., securities purchased and held for specific funds), including U.S. Treasury securities, and U.S. Government Agency securities, and are reported as investments in the combined balance sheet, as of September 30, 1999.

The City implemented the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" for the fiscal year ended September 30, 1998. The City's policy with respect to money market investments which had a remaining maturity of one year or less at the time of purchase is to report these investments at amortized cost. Amortized cost approximates fair value for these investments. The change in fair value for investments of the City with a remaining maturity of greater than one year at the time of purchase was immaterial as of fiscal year end. The City does not participate in external investment pools.

Investments of the Fire and Police Pension Fund, a blended component unit, are administered by the Fire and Police Pension Fund Board of Trustees. Investments of the Fund are reported at fair value and include: corporate bonds, preferred stock, U.S. Treasury securities, U.S. Government Agency securities, notes, mortgages and contracts, and real estate. Equity and fixed income securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Notes, mortgages, and contracts are valued on the basis of future principal and interest payments discounted at prevailing interest rates. The fair value of real estate investments is based on independent appraisals and on the equity position of real estate partnerships in which the Pension Fund has invested. Gains and losses on sales and exchanges of securities are recognized on the trade date. Investments that do not have an established market value are reported at estimated fair value. No investments in any one organization (other than those issued by the U.S. Government) represent five percent or more of plan net assets.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Pension Fund has entered into an agreement with its custodian bank to lend the Pension Fund's securities to one or more borrowers for a fee. It is the policy of the Pension Fund and the custodian bank to require that collateral equal to 102% and 105% for domestic and international securities, respectively, of the loaned securities be maintained by the custodian bank. Collateral may be in the form of cash, U.S. government securities and irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event that the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Pension Fund may suffer a loss. Management of the Pension Fund considers the possibility of such a loss to be remote.

As of September 30, 1999, the Pension Fund had lending arrangements outstanding with a total market value of $107,598 which were fully collateralized with cash and securities. Related to these loaned securities, cash collateral of $110,166 is recorded in the accompanying statements of plan net assets. Net income for the year ended September 30, 1999 under the securities lending arrangement was $438.

The Pension Fund has only limited involvement with derivative and other structured financial instruments and does not use them for trading purposes. The Pension Fund's investment philosophy in bond portfolios has centered on using derivatives and other structured financial instruments only when comparable cash alternatives are not available. Specifically, the Pension Fund has used the following basic guidelines when entering into such transactions: (1) small allocations, (2) no use of leverage, (3) price floors, (4) short maturities to mitigate potential problems with liquidity and (5) attention to credit risk of the issuer. With less than 1% of total market value invested in derivatives and other structured financial instruments, the Pension Fund has been cautious concerning its aggregate exposure. The fair value of structured financial instruments held for the Pension Fund during the fiscal year ended September 30, 1999 was approximately $3,371.

The Pension Fund periodically participates in options and futures in order to hedge the value of a portion of its investments. Financial options and futures are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price on or before a specific expiration date. Unrealized depreciation on these options and futures of approximately $2,056 is included in net appreciation (depreciation) in fair value of investments at September 30, 1999.

The Fire and Police Retiree Health Care Fund Board of Trustees administers investments of the Fire and Police Retiree Health Care Fund, a blended component unit. Investments are reported at fair value and short-term investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value. All investment income, including changes in fair value of investments, is reported as additions in the statement of changes in postemployment healthcare plan net assets. No investments in any one organization (other than those issued by the U.S. Government) represent five percent or more of plan net assets.

The investment policies of SAWS and CPS, the City's significant discretely presented component units, are governed by state statute, local ordinance, and their own respective written investment policies. Authorized investments include: demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. Government Agencies, commercial paper, and repurchase agreements. Additionally, SAWS and CPS implemented the provisions of GASB Statement No. 31 for their respective fiscal year ends of May 31, 1999, and January 31, 1999. The investments of the City, SAWS, and CPS are stated at amortized cost, which approximates fair value as of the fiscal year end of each entity. The difference between amortized cost and fair value was deemed immaterial. Therefore, the implementation of Statement No. 31 resulted in no restatement of financial statements for prior periods or restatement of fund balances or retained earnings for the cumulative effect of the application of this statement.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

SAWS is permitted by City Ordinance No. 75686 to invest in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations for which the principal and interest are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities of the United States of America or as otherwise permitted by state law. SAWS general depository agreement does not require SAWS to maintain an average monthly balance.

CPS cash deposits at January 31, 1999 were entirely insured or collateralized by banks for the account of CPS. For deposits that were collateralized, the securities were U.S. Government obligations held in book entry form by the Federal Reserve Bank in CPS' name. CPS' cash book values were approximately $5,000 at January 31, 1999, and CPS' bank balances were $22,600 at year end.

CPS' investments are stated at amortized cost which approximates market value. The specific identification method is used to determine cost in computing gain or loss on sales of securities. Amortization of premium and accretion of discount are recorded over the terms of the investments.

At January 31, 1999, CPS' investments, both restricted and unrestricted, (excluding the Decommissioning Trust) were all in U.S. Government or government agency obligations and were held in book entry form by the Federal Reserve Bank in CPS' name. CPS' investments are generally limited to U.S. Government or Government Agency or U.S. Government guaranteed obligations by CPS Board Resolution and Policy, Bond Ordinances, and State Law.

CPS' investments consisting primarily of money market type securities, carried at amortized cost plus accrued interest were $684,500 at January 31, 1999. These investments included U.S. Government Treasury Note Principal and/or Interest Strip Securities (Treasury Strips) amounting to $21,200 at January 31, 1999. Generally, this type of security is purchased to be held to maturity. They are subject to market risk and their market value will vary as interest rates fluctuate. This could affect the value at which these securities are recorded and any related unrealized gain or loss.

At January 31, 1999, CPS' investments in the Decommissioning Trust were held by an independent trustee. Trust investments are generally limited to U.S. Government or government agency or U.S. Government guaranteed obligations by CPS Board Resolution and Policy, Trust Agreement, and State Law. Investment securities were carried at a market value of $89,500 for 1999. These funds included Treasury Strips, purchased with the intent of holding until maturity, totaling $37,600 for 1999. They are subject to market risk and their market value will vary as interest rates fluctuate. This could affect the value at which these securities are recorded and any unrealized gain or loss.

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3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Combined cash and cash equivalents and investments are presented below as of year end for the City, and its significant discretely presented Component Units, SAWS and CPS. The information is provided to give an indication of the proportionate amount of cash and investments held by each respective entity.

Combined Cash, Cash Equivalents and Investments

	City	SAWS[1]	CPS[2]
Cash and Cash Equivalents	$ 243,689	$ 8,906	$ 49,583
Security Lending Collateral - Cash and Cash Equivalents	110,166		
Investments	1,762,874	74,038	773,965
Less: Investments with Original Maturities of Less Than Ninety Days Included in Cash Equivalents	(163,194)	(11,184)	(44,607)
Total	$1,953,535	$ 71,760	$ 778,941

[1]For the period ended May 31, 1999
[2]For the period ended January 31, 1999

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3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

	City	SAWS[1]	CPS[2]
Totals from combined balance sheet			
Cash and Cash Equivalents	$ 222,917	$ 8,189	$ 4,501
Security Lending Collateral - Cash and Cash Equivalents	110,166		
Investments	1,558,711	10,932	81,140
Restricted Cash and Cash Equivalents	20,772	717	45,082
Restricted Investments	40,969	51,922	648,218
Total Cash, Cash Equivalents and Investments	$ 1,953,535	$ 71,760	$ 778,941

[1]For the period ended May 31, 1999
[2]For the period ended January 31, 1999

The composition of Cash and Cash Equivalents included in the financial statements for the City and its significant discretely presented Component Units as of the respective year ends is presented below.

	City	SAWS[1]	CPS[2]
Deposits with Financial Institutions	$ (13,405)	$ 3,696	$ 4,697
Less: Deposits with Original Maturities of Greater than Ninety Days		(6,000)	
Investments with Original Maturities of Less than Ninety Days	163,194	11,184	44,607
Cash with Pension/Retiree Healthcare Fiscal Agents	90,888		
Cash with Fiscal Agents	2,831		
Cash with Bond Paying Agents	9		139
Cash with Other Financial Agents	25		
Petty Cash Funds	147	26	140
Total Cash and Cash Equivalents	$ 243,689	$ 8,906	$ 49,583

[1]For the period ended May 31, 1999
[2]For the period ended January 31, 1999

Cash with fiscal agents of the Fire and Police Pension Fund and the Fire and Police Retiree Healthcare Fund of the City of San Antonio have been approved by the Funds' Board of Directors and are invested as authorized by Texas State Statutes. Cash with bond paying agents are held to cover matured bonds and coupons which have been offset by a corresponding liability in the City's financial statements.

(amounts are expressed in thousands)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits with financial institutions are classified into three categories of credit risk based upon the following:

Category	Description
1	Deposits insured by the FDIC or collateralized with securities held by the City or the City's agent in the City's name.
2	Deposits collateralized by securities held by the pledging bank's agent in the City's name.
3	Deposits uncollateralized which include deposits collateralized by securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

Accordingly, deposits of the City, SAWS and CPS are categorized by credit risk as follows:

Units	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
City Deposits With Financial Institutions	$ (13,405)	$ 3,776	$ 3,776	$ 0	$ 0
Cash With Agents	93,753	93,753	93,719	34	
SAWS Deposits	3,696	8,726	8,726		
CPS Deposits With Financial Institutions	4,697	22,561	22,561		
Deposits With Agents	139	9		9	

Cash with fiscal agents of the Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund of the City of San Antonio are classified as Category 1 and cash with Bond Paying Agents and other Financial Agents is classified as Category 2. The Fire and Police Pension Fund also had securities lending collateral - cash and cash equivalents in the amount of $110,166 which is not categorized for credit risk as it had been invested in a securities lending collateral investment pool.

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(amounts are expressed in thousands)

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments are classified into three categories of credit risk based upon the following:

Category	Description
1	Includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name.
2	Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
3	Includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name.

Accordingly, the investments of the City, SAWS, and CPS are categorized below to give an indication of the level of risk assumed:

Total Investments By Category

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
City:					
Money Market Mutual Fund	$ 30,300	$	$	$ 30,300	$ 30,300
Corporate Bonds	144,475			144,475	144,475
Preferred Stock	486			486	486
Common Stock	773,841			773,841	773,841
U.S. Treasury & Government Agency Securities	694,827			694,827	696,119
Repurchase Agreements		84,934		84,934	84,934
Total City	$ 1,643,929	$ 84,934	$	$ 1,728,863	$ 1,730,155
SAWS:					
U.S. Treasury & Government Agency Securities	$ 68,038			$ 68,038	$ 68,004
Total SAWS	$ 68,038	$	$	$ 68,038	$ 68,004
CPS:					
U.S. Treasury & Government Agency Securities	$ 773,965			$ 773,965	$ 782,882
Total CPS	$ 773,965	$	$	$ 773,965	$ 782,882

As of the fiscal year end, in addition to the investment securities presented and categorized as to credit risk in the table above, the Fire and Police Pension Fund had Real Estate investments of $34,011 which were not included in the table above. These investments are not considered securities and as such, are not categorized for credit risk. The total Real Estate investments of $34,011 and the $1,728,863 in securities categorized as to risk in the table above, comprise the City's total investments of $1,762,874.

(amounts are expressed in thousands)

4. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in the General Fixed Assets Account Group:

Summary of Changes in General Fixed Assets Account Group

	Balance Oct. 1, 1998	Additions	Deletions/ Transfers	Balance Sept. 30, 1999
Land and Land Improvements	$ 304,048	$ 16,986	$	$ 321,034
Buildings	392,626	45,469		438,095
Streets and Bridges	457,883	16,217		474,100
Storm Drainage and Flood Prevention	334,128	2,898		337,026
General City Equipment	110,689	17,271	2,026	125,934
Construction-in-Progress	310,464	128,614	69,565	369,513
Total General Fixed Assets	$ 1,909,838	$ 227,455	$ 71,591	$ 2,065,702

Construction-in-progress related to the General Fixed Assets Account Group is comprised of the following:

Construction-In-Progress: General Fixed Assets Account Group

	Project Authorization	Expended to Sept. 30, 1999	Committed	Required Future Financing
Buildings	$ 80,073	$ 27,935	$ 52,138	None
Streets and Bridges	152,591	93,720	58,871	None
Storm Drainage and Flood Prevention	108,820	81,850	26,970	None
Improvements Other Than Buildings	201,141	166,008	35,133	None
Total	$ 542,625	$ 369,513	$ 173,112	None

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(amounts are expressed in thousands)

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

A summary of Proprietary Fund Type and Fiduciary Fund Type property, plant and equipment at September 30, 1999 (except as noted) follows:

Proprietary and Fiduciary Fund Type Property, Plant and Equipment

	Airport System	Parking Facilities	Golf Course System	Solid Waste System	Total Primary Government Enterprise Funds	Internal Service	Fiduciary Fund	Total Primary Government	Gas and Electric System (CPS)[1]	San Antonio Water System (SAWS)[2]
Computer Equipment	$ 618	$ 129	$ 37	$ 130	$ 914	$ 21,571	$ 26	$ 22,511	$ 0	$ 0
Land	2,969	5,115	2,579	49	10,712			10,712		29,152
Buildings	109,536	18,961	4,008	45	132,550	177	491	133,218		
Improvements Other Than Buildings	145,593	1,332	5,522	815	153,262	179		153,441		
Gas and Electric System									5,347,752	
Water System										1,619,220
Machinery and Equipment	7,626	830	2,868	3,029	14,353	78,947	65	93,365		72,479
Construction-In-Progress	49,272	41		2,389	51,702			51,702	184,361	236,659
Nuclear Fuel, at Amortized Cost									67,986	
Total	315,614	26,408	15,014	6,457	363,493	100,874	582	464,949	5,600,099	1,957,510
Less: Accumulated Depreciation	97,609	7,067	4,746	2,760	112,182	66,579	216	178,977	1,670,394	524,080
Net Property, Plant and Equipment	$ 218,005	$ 19,341	$ 10,268	$ 3,697	$ 251,311	$ 34,295	$ 366	$ 285,972	$ 3,929,705	$ 1,433,430

The City capitalizes interest incurred on construction projects, in accordance with Statement of Accounting Standards No. 62 issued by the Financial Accounting Standards Board. SAWS and CPS capitalized construction period interest in the amount of $4,357 and $5,716, respectively, and the City of San Antonio capitalized no interest for construction.

[1]For the period ended January 31, 1999

[2]For the period ended May 31, 1999

(amounts are expressed in thousands)

5. DUE TO (FROM) OTHER FUNDS

The following is a summary of interfund receivables and payables for the City as of September 30, 1999.

Summary Table of Interfund Receivables and Payables at September 30, 1999

	Due From Other Funds	Due To Other Funds
General Fund	$ 9,784	$
Special Revenue Funds:		
Convention Center Expansion Fund	2	
Public Health Support Revenue Fund		21
Child Safety Fund		1
Stormwater Operations Fund	7,758	878
Home Program Fund		150
Categorical Grants-In-Aid Fund	399	5,600
Community Development Program Fund		2,691
Total Special Revenue Funds	8,159	9,341
Debt Service Funds	132	70
Capital Projects Funds:		
Improvement Projects	1,939	7,758
Certificates of Obligation		9
General Obligation Bonds		1,972
Convention Center Expansion		119
Total Capital Projects Funds	1,939	9,858
Enterprise Funds:		
Airport System Fund	429	435
Parking Facilities		1
Golf Course	195	305
Solid Waste	109	
Total Enterprise Funds	733	741
Fiduciary Expendable Trust Funds:		
Bexar County Rabies Control Fund		42
Memorials & Gifts Fund		429
Total Fiduciary Funds		471
Fiduciary Agency Funds:		
Tax Clearance Account	-	98
Special Downtown Improvement District		3
Special Events Security Trust Fund		165
Total Agency Funds		266
Total	$ 20,747	$ 20,747

(amounts are expressed in thousands)

6. LONG-TERM DEBT

A. Primary Government (City)

1. General Long-Term Debt

The City maintains a proactive debt management policy. The City's debt management plan employs a comprehensive analysis of the City's financial resources and capital improvement costs. Incorporated into the plan are long-term cash flow projections for the City's infrastructure needs, annexation plans, growth in assessed valuations and the revenue generating capacity of certain enterprise and self-supporting operations. The objective of the planning process is to minimize the cost of funds, minimize the impact on taxes and/or rate structures and maximize the benefits of capital improvements. Consistent with overall debt management is maintaining strong credit-worthiness. Routine, comprehensive financial analysis and strict adherence to conservative financial management has allowed the City to meet its financing needs while at the same time maintaining its Aa2/AA/AA bond rating by Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Investors Service, Inc., respectively as of September 30, 1999.

The City's on-going capital improvement financing for infrastructure and "quality of life" purposes along with the opportunity to refinance certain outstanding bonds resulted in the issuance of additional indebtedness during fiscal year 1999. In December 1998, the City issued the following: $49,110 General Improvement and Refunding Bonds, Series 1998A; and $36,535 Combination Tax and Revenue Certificates of Obligation, Series 1998A. The bonds are secured by a pledge of ad valorem taxes while the certificates are secured by a pledge of ad valorem taxes and revenues from certain revenue generating operations.

The General Improvement and Refunding Bonds, Series 1998A in the aggregate principal amount of $49,110 were comprised of $21,695 to fund capital improvement projects to include parks, drainage, and street improvements; $26,045 of obligations issued to advance refund $25,550 of outstanding general long-term debt, and $1,370 issued to advance refund $1,345 of proprietary debt (Parking System Enterprise Fund and Golf System Enterprise Fund). The Series 1998A Bonds are retired serially in the years 2000 through 2019 and bear interest rates ranging from 4.000% to 5.250%.

Proceeds of the Combination Tax and Revenue Certificates of Obligation, Series 1998A will be utilized to fund capital improvements to include public safety and technology improvements; street, sidewalk, and drainage improvements; improvements, renovations, and furnishing municipally-owned utilities; and acquisition of land and rights-of-way for public purposes. The certificates are retired serially in the years 2000 through 2019 and bear interest rates ranging from 4.000% to 5.250%.

Concurrently, with the sale of the 1998A Obligations, the City also sold General Improvement Bonds, Series 2000 in the aggregate principal amount of $27,565 and Combination Tax and Revenue Certificates of Obligation, Series 2000 in the aggregate principal amount of $8,490. The 2000 Obligations are scheduled to be delivered on February 15, 2000. As this transaction is not effectuated until the date of delivery, the sale of the Series 2000 bonds and certificates are not reflected in the financial statements as of September 30, 1999 or the tables herein.

With respect to the $26,045 of Series 1998A Refunding Bonds, the net proceeds after payment of underwriters fees and other costs of issuance from the transaction of $26,597, plus a cash contribution of $617 from the City's Debt Service Fund were utilized to purchase securities guaranteed by the United States of America. These securities were deposited into an irrevocable escrow account and together with interest earned in the account will provide for all future debt service on the refunded debt. Accordingly, the debt refunded in these transactions is considered to be

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

legally defeased and the liability for that debt has been removed from the General Long-Term Debt Account Group. The Series 1998A refunding transaction resulted in a reduction of total debt service payments over the life of the obligations of $2,387, and an economic gain of $1,375. For information on the components of the Series 1998A transaction related to the Parking System and Golf System Enterprise Funds, see Section A.2 of this note, "Proprietary Long-Term Debt".

On May 1, 1999, the citizens of San Antonio passed an election authorizing the issuance of a $140,200 general improvement bonds. Proceeds from these bonds will be utilized to continue to finance the City's long-term capital improvement program to include improvements to drainage, street and pedestrian, flood control, parks and recreation, library system, and public safety. The bonds are scheduled to be sold in installments in fiscal years 2000 through 2004.

As of September 30, 1999, the City had $184,425 of general obligation debt authorized but unissued. Of this remaining authorization, $16,660 was authorized pursuant to an election held on January 26, 1980 and the City does not intend to issue the $16,660 in bonds. Additionally, as mentioned above, the City issued during fiscal year 1999 $27,565 General Improvement Bonds, Series 2000 which is the final installment of the 1994 authorization. The Series 2000 are scheduled for delivery on February 15, 2000, and as such, are considered to be authorized but unissued as of September 30, 1999. For additional information on the City's debt authorization, see the table in this section entitled, "Authorized But Unissued Tax Bonds".

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

The following table is a summary of changes for the year ended September 30, 1999 for debt reported in the General Long-Term Debt Account Group which is secured by an ad valorem tax pledge.

General Long-Term Debt Account Group
(Ad Valorem Tax Pledge)

Issue	Original Amount	Final Principal Payment[1]	Interest Rates (%)[1]	Balance Outstanding October 1, 1998	Additions During Year	Deletions During Year	Balance Outstanding September 30, 1999
General Obligation Bonds							
1988 Refdg.	$ 132,978	2006	7.400-7.450	$ 4,008	$	$	$ 4,008
1989	26,695	1999	8.600	800		800	
1991	60,645	2001	8.625	4,425		1,375	3,050
1992 Refdg.	380,540	2013	5.000-5.750	340,955		45,065	295,890
1993	92,165	2014	4.000-8.000	87,630		2,815	84,815
1994	30,450	2004	5.600-6.000	7,000		1,000	6,000
1996	35,330	2015	5.100-5.250	32,180		1,180	31,000
1996A Refdg.	82,235	2016	4.150-6.000	79,395		1,225	78,170
1996B Refdg.	6,030	2008	6.100-6.700	5,785		425	5,360
1998 Refdg.	30,855	2018	4.500-5.000	30,855			30,855
1998A Refdg	53,950	2008	5.000-6.000	53,950		1,355	52,595
1998A Refdg.	47,740	2019	4.000-5.250		47,740		47,740
Subtotal	$ 979,613			$ 646,983	$ 47,740	$ 55,240	$ 639,483
Tax –Exempt Certificates of Obligation							
Series 1986A	$ 22,600	2001	6.600-6.700	$ 3,970	$	$ 1,235	$ 2,735
Series 1988	4,400	2002	7.100-7.300	975		225	750
Series 1989	7,295	1999	9.000	225		225	
Series 1991	10,075	2001	6.200-6.250	2,100		650	1,450
Series 1992	17,655	2013	5.000-5.750	11,795		1,325	10,470
Series 1993	4,700	1999	4.000	1,015		1,015	
Series 1994	9,900	2004	5.750-7.750	2,285		325	1,960
Series 1996	8,415	2015	5.100-5.400	7,665		265	7,400
Series 1996A	12,515	2016	4.150-5.375	11,700		430	11,270
Series 1998	4,315	2018	4.600-5.000	4,315			4,315
Series 1998A	36,535	2019	4.000-5.250		36,535		36,535
Subtotal	$ 138,405			$ 46,045	$ 36,535	$ 5,695	$ 76,885
Taxable Certificates of Obligation							
Series 1988	$ 6,700	2008	9.300-9.500	$ 4,975	$	$ 325	$ 4,650
Series 1996	6,160	2015	6.550-7.125	5,675		175	5,500
Series 1996B	7,375	2016	6.100-7.250	6,905		210	6,695
Subtotal	$ 20,235			$ 17,555	$ 0	$ 710	$ 16,845
Total	$ 1,138,253			$ 710,583	$ 84,275	$ 61,645	$ 733,213

[1] A portion of the outstanding principal applicable to certain series of bonds was advance refunded, prior to maturity, by the Series 1988, 1992, 1993, 1996A, 1996B, 1998 and 1998A refunding bonds. Proceeds from the refunding bonds along with a cash contribution from the City's Debt Service Fund were utilized to purchase securities, guaranteed by the United States of America, which were irrevocably deposited into escrow accounts whose principal is scheduled to mature on such dates that when added to interest earned in the escrow accounts, is fully sufficient to make timely payment on the refunded bonds. The refunded bonds represent a legal defeasance and are not a liability of the City. The final principal payment, on a calendar year basis, and interest rate applicable to the outstanding non-refunded bonds is as shown in this table.

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Hotel Occupancy Tax Revenue Bonds

In 1990, the City commissioned Arthur Andersen & Co. to complete a convention center expansion feasibility analysis. The study concluded that the convention market in the City and nationally was healthy and expanding. The study further concluded that… "historic market trends, current market conditions, and the ability of the City to attract future tourism and convention business warrant expansion of the Henry B. Gonzalez Convention Center." In 1994, the City enlisted the services of the Urban Land Institute to, among other things, re-examine the necessity for the City to undertake a convention center program and to suggest alternative expansion options. This study was completed in the Fall of 1994 and it was recommended that the City commence with the construction of additional new convention accommodations and renovate certain existing facilities.

Consistent with the studies and recommendations, the City began work on the construction and expansion of the Henry B. Gonzalez Convention Center during fiscal year 1996. The major funding component for the project is derived from the March 14, 1996, sale of $182,012 Hotel Occupancy Tax Revenue Bonds, Series 1996. As security for the Series 1996 Bonds, the City has pledged its revenue from the 2% Expansion Hotel Occupancy Tax, 5.25% of the 7% General Hotel Occupancy Tax, and interest earnings exclusive of the Construction Fund and Facilities Fund. Interest rates on the bonds range from 4.50% to 6.20% with a final bond maturity of August 15, 2026. The bonds are insured by Financial Guaranty Insurance Company and are rated Aaa/AAA/AAA by Moody's Investor's Service, Standard & Poor's Ratings Group, and Fitch Investors, respectively. The underlying rating is A/A+/A by each of the aforementioned rating agencies, respectively.

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6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Annual Requirements

The annual requirements to amortize all General Obligation, Certificates of Obligation, and Hotel Occupancy Tax Revenue general long-term debt outstanding as of September 30, 1999, are as follows:

Principal and Interest Requirements

Year Ending September 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Hotel Occupancy Tax Revenue Bonds Principal	Hotel Occupancy Tax Revenue Bonds Interest	Total Annual Requirements
2000	$ 33,130	$ 34,130	$ 7,210	$ 5,130	$ 410	$ 8,878	$ 88,888
2001	35,420	32,331	7,635	4,724	830	8,859	89,799
2002	41,185	30,297	5,780	4,286	1,380	8,821	91,749
2003	43,985	27,904	4,590	3,977	2,045	8,756	91,257
2004	45,130	25,570	4,880	3,732	2,785	8,658	90,755
2005	42,099	28,211	4,670	3,469	3,515	8,522	90,486
2006	41,044	26,124	4,910	3,216	4,255	8,346	87,895
2007	45,780	19,067	5,220	2,944	5,105	8,091	86,207
2008	47,915	16,537	5,480	2,641	5,995	7,823	86,391
2009	49,975	13,640	4,690	2,323	6,970	7,505	85,103
2010	52,285	11,215	4,965	2,068	8,035	7,129	85,697
2011	55,540	8,326	5,235	1,794	3,736	12,150	86,781
2012	31,305	5,368	5,500	1,504	3,785	12,862	60,324
2013	30,090	3,723	5,780	1,194	3,662	13,335	57,784
2014	22,835	2,163	5,300	867	3,419	13,577	48,161
2015	8,015	1,019	4,125	604	3,190	13,807	30,760
2016	5,425	605	3,050	363	2,973	14,024	26,440
2017	3,230	328	1,525	191	2,797	14,200	22,271
2018	3,385	164	1,595	114	10,310	6,687	22,255
2019	1,710	41	1,590	38	10,905	6,094	20,378
2020					11,530	5,467	16,997
2021					12,190	4,810	17,000
2022					12,885	4,115	17,000
2023					13,615	3,380	16,995
2024					14,395	2,604	16,999
2025					15,215	1,784	16,999
2026					16,080	917	16,997
2027							
Total	$ 639,483	$ 286,763	$ 93,730	$ 45,179	$ 182,012	$ 221,201	$ 1,468,368

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(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Authorized But Unissued Tax Bonds

Authorization Date	Purpose	Amount Authorized	Bonds Previously Issued	Bonds Authorized But Unissued
1-26-80[1]	Drainage and Flood Control	$ 21,637	$ 17,413	$ 4,224
1-26-80[1]	Fire Protection	4,257	2,125	2,132
1-26-80[1]	Libraries	4,978	3,926	1,052
1-26-80[1]	Street, Bridge, and Related Improvements	43,287	34,035	9,252
5-07-94[2]	Street Improvements	25,600	19,010	6,590
5-07-94[2]	Drainage Improvements	34,400	21,965	12,435
5-07-94[2]	Parks	41,600	33,060	8,540
5-01-99	Streets and Pedestrian Improvements	41,300		41,300
5-01-99	Drainage	19,000		19,000
5-01-99	Flood Control	12,200		12,200
5-01-99	Parks and Recreation	24,200		24,200
5-01-99	Library System	13,200		13,200
5-01-99	Public Safety	30,300		30,300
Total		$ 315,959	$ 131,534	$ 184,425

[1]The City has authority pursuant to an election held on January 26, 1980, to issue $16,660 in bonds for libraries, fire protection, drainage and flood control, and street, bridge and related improvements, but the City does not currently intend to issue any such bonds.

[2]The remaining unissued debt from the May 7, 1994 authorization was sold on December 10, 1998 in the aggregate principal amount of $27,565 which is comprised of $6,590 for street improvements, $12,435 for drainage improvements, and $8,540 for park improvements. These bonds are scheduled for delivery on February 15, 2000, and as such, are considered to be authorized but unissued as of September 30, 1999.

Debt Limitation

The amount of debt that the City may incur is limited by City Charter and by the Constitution of the State of Texas. The City Charter establishes a limitation on the general obligation debt supported by ad valorem taxes to an amount not to exceed 10% of the total assessed valuation. The total assessed valuation for the fiscal year ending 1999 was $34,991,971 which provides a debt ceiling of $3,499,197. The total outstanding debt that is secured by an ad valorem tax pledge is $754,958.

The Constitution of the State of Texas provides that the ad valorem taxes levied by the City for debt service and maintenance and operation purposes shall not exceed $2.50 for each one hundred dollars of assessed valuation of taxable property. There is no limitation within the $2.50 rate for interest and sinking fund purposes; however, it is the policy of the Attorney General of the State of Texas to prohibit the issuance of debt by a city if such issuance produces debt service requirements that exceed the amount that can be paid from $1.50 tax rate calculated at 90% collections.

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Quasi-External Notes Payable

As an alternative to the issuance of external debt to finance certain projects/purchases, the City has determined that the use of available cash balances in the Internal Service Equipment Replacement Funds is a viable option. In certain instances, after an evaluation of project/purchase funding requirements, it has been determined that some funds or operations may require temporary financing. As an option, the City has authorized such internal temporary financing from available cash balances in the Internal Service Equipment Replacement Funds to meet these needs.

In September 1995, a loan was authorized from the City's Internal Service Fund to the Confiscated Property Fund (Special Revenue Fund) to assist in financing the purchase of an automated system. The principal amount of the note was $1,386 with an annual interest rate of 6.25% and a repayment period of November 1995 through October 2000. Revenues from the Confiscated Property Fund were utilized to meet the annual principal and interest requirements of the note. Subsequently, for fiscal year 1996, the repayment period for the note was revised with repayment scheduled to begin in November 1996 and final payment in October 2002. This interfund transaction had been classified as a "Quasi-external" transaction and was accounted for as if the transaction had occurred with a party external to the City. In February 1999, the loan, which had a remaining principal balance of $815, was paid in full, and as such, this debt is no longer reported in the General Long-Term Debt Account Group.

In June 1999, a loan was authorized from the City's Internal Service Fund to the International Center Fund (Special Revenue Fund) to assist in the financing of permanent building improvements and leasing agent commissions. The principal amount of the note is $200,000 with an annual interest rate of 6% and a repayment period of October 1999 through September 2003. Revenues from the International Center rentals will be utilized to meet the annual principal and interest requirements of the note. This interfund transaction has been classified as a "Quasi-external" transaction and accounted for as if the transaction had occurred with a party external to the City. Therefore, as of September 30, 1999, the remaining balance for the notes payable from the International Center Fund has been recorded in the General Long-Term Debt Account Group. The following is an annual debt service schedule:

Principal and Interest Requirements

Year Ending September 30,	Principal	Interest	Total Annual Requirements
2000	$ 49	$ 12	$ 61
2001	43	9	52
2002	97	6	103
2003	11	1	12
Total	$ 200	$ 28	$ 228

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

1. General Long-Term Debt (Continued)

Claims and Settlements

During fiscal years 1995 and 1996, final resolution of audit findings resulting from an Office of the Inspector General, Department of Transportation Report dated April 26, 1993, which disallowed $2,040 of Aviation Fund expenses, was reached with the Federal Aviation Administration. During fiscal year 1999, the disallowed amount was reduced by $366 for restated indirect cost resulting in a remaining balance due of $1,674. Due to the nature of this transaction and method for repayment, this remaining amount payable has been reported as an Other Payable in the General Long-Term Debt Account Group as of September 30, 1999. For additional details, see Note 11, Commitments and Contingencies.

Accumulated Accrued Benefits

The following is a summary of changes in the accumulated accrued benefits for the year ended September 30, 1999:

Accumulated Accrued Benefits

Description	Balance October 1, 1998	Additions	Reductions	Balance September 30, 1999
Sick Leave	$ 39,883	$ 4,914	$ 3,332	$ 41,465
Annual Leave	22,174	17,529	17,456	22,247
Total Accrued Benefits	$ 62,057	$ 22,443	$ 20,788	$ 63,712

2. Proprietary Long-Term Debt

Proprietary long-term debt applies to those City operations that relate to business and quasi-business activities where net income and capital maintenance are measured (Enterprise and Internal Service Funds). Long-term debt which is expected to be repaid from the resources of proprietary funds is reported in the respective proprietary fund. The long-term indebtedness of the City's Enterprise Funds is presented in the discussion that follows.

Airport System: The Airport System includes the City of San Antonio International Airport and Stinson Municipal Airport and all land, buildings, structures, equipment, and facilities pertaining thereto. The Airport System's long-term debt is equally and ratably secured solely by a first lien on and pledge of the Gross Revenues of the Airport System. Gross Revenues of the Airport System include all revenues of any nature derived from contracts or use agreements with airlines and other users of the System and its facilities. No additional long-term indebtedness was incurred by the Airport System during fiscal year 1999. Total annual principal and interest requirements for the Airport System are shown in the table at the end of this section.

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Parking System: The Parking System operation includes the ownership and operation of parking facilities, parking lots, parking meters and retail/office space. Long-term debt is allocated to the Parking System on a pro-rata basis from proceeds received from the issuance of general obligation and certificate of obligation debt and is paid from revenues derived from the operation of the Parking System. This allocated debt is additionally secured by an ad valorem tax pledge. During fiscal year 1999, the City issued $49,110 General Improvement and Refunding Bonds, Series 1998A of which a portion was utilized to advance refund Parking System outstanding long-term debt. For additional information on the refunding transaction, see the section below entitled "Parking System and Golf Course System Refunding". Total annual principal and interest requirements for the Parking System are shown in the table at the end of this section.

Golf Course System: The Golf Course System includes various golf courses and driving and practice ranges. Long-term debt is allocated to the Golf Course System on a pro-rata basis from proceeds received from the issuance of general obligation and certificate of obligation debt and is paid from revenues derived from the operation of the Golf Course System. This allocated debt is additionally secured by an ad valorem tax pledge. During fiscal year 1999, the City issued $49,110 General Improvement and Refunding Bonds, Series 1998A of which a portion was utilized to advance refund Golf Course System outstanding long-term debt. For additional information on the refunding transaction, see the section below entitled "Parking System and Golf Course System Refunding". Total annual principal and interest requirements for the Golf Course System are shown in the table at the end of this section.

Solid Waste System: The Solid Waste System was established on a financially self-supporting basis in 1988. Revenues are received from garbage collection fees which are utilized to pay operating costs and indebtedness. Long-term debt is allocated to the Solid Waste System on a pro-rata basis from proceeds received from the issuance of certificate of obligation debt. Allocated debt is additionally secured by an ad valorem tax pledge. During fiscal year 1999, the Solid Waste System made its final debt service principal and interest payments. As such, the Solid Waste System has no outstanding long-term debt as of September 30, 1999.

Parking System and Golf System Refunding: As noted earlier, the City issued $49,110 General Improvement and Refunding Bonds, Series 1998A. Of this amount, $1,155 and $215 was issued to advance refund $1,130 and $215 of Parking System and Golf Course System outstanding long-term debt, respectively. The net proceeds in the amount of $1,179 and $220 after payment of underwriters fees and other costs of issuance plus a contribution in the amount of $27 and $5 from the Parking System and Golf Course System Debt Service Funds, respectively, were utilized to purchase securities guaranteed by the United States of America. These securities were deposited into an irrevocable escrow account and together with interest earned in the account will provide for all future debt service payments on the refunded debt. Accordingly, the refunded debt is considered to be defeased and as such the liability for that debt has been removed from the Parking System's and Golf Course System's Balance Sheet.

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Parking System and Golf System Refunding (continued): The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying value of the refunded debt of $92 and $12 for the Parking System and Golf Course System, respectively. This deferred amount on refunding is being amortized on a straight-line basis through the year 2013 for the Parking Fund and 2011 for the Golf Course Fund, and as of September 30, 1999, the unamortized balances for the Parking Fund and for the Golf Course Fund are reported in the accompanying financial statements as a deduction from bonds payable. In addition, the transaction resulted in a reduction of total debt service payments over the life of the obligations of $93 and $24 and an economic gain of $56 and $16 for the Parking Fund and Golf Course Fund, respectively. With respect to the Series 1998A Bonds allocated to the Parking Fund, the bonds bear interest rates ranging from 4.000% to 5.250% and will be retired serially in years 2003 to 2013. For the Golf Course allocation, the Series 1998A Bonds bear interest rates ranging from 4.000% to 5.000% and will be retired serially in the years 2003 to 2011.

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(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

The following table is a summary of changes in Proprietary Long-Term Debt for the fiscal year ended September 30, 1999.

Proprietary Long-Term Debt

Issue	Original Amount	Final Principal Payment[1]	Interest Rates (%)[1]	Balance Outstanding October 1, 1998	Additions During Year	Deletions During Year	Balance Outstanding September 30, 1999
Airport System							
Revenue Bonds:							
Series 1992	$ 3,130	2009	6.100	$ 3,130	$	$	$ 3,130
Series 1992 Refdg.	21,655	2006	5.200-5.750	14,135		1,420	12,715
Series 1993 Refdg.	73,785	2013	7.000-7.375	63,605		2,500	61,105
Series 1996	38,000	2016	5.700-5.800	38,000		275	37,725
Subtotal	$ 136,570			$ 118,870	$	$ 4,195	$ 114,675
Parking System							
General Obligation:							
Series 1992 Refdg.	$ 16,785	2013	5.000-5.750	$ 15,030	$	$ 1,990	$ 13,040
Series 1996A. Refdg.	495	2014	4.650-6.000	495			495
Series 1998A. Refdg.	1,155	2013	4.000-5.250		1,155		1,155
Tax-Exempt Certificates Of Obligation:							
Series 1992	1,735	2013	5.000-5.750	1,450		65	1,385
Series 1993	800	1999	4.000	175		175	
Series 1994	700	2004	5.750-7.750	165		25	140
Series 1996	1,105	2015	5.100-5.400	1,010		35	975
Subtotal	$ 22,775			$ 18,325	$ 1,155	$ 2,290	$ 17,190
Golf Course System[2]							
General Obligation:							
Series 1992 Refdg.	$ 3,295	2011	5.000-5.750	$ 2,860	$	$ 360	$ 2,500
Series 1993 Refdg.	1,515	2006	4.750-8.000	1,435		10	1,425
Series 1998A Refdg.	215	2011	4.000-5.000		215		215
Tax-Exempt Certificates Of Obligation:							
Series 1986A	3,400	2001	6.600-6.700	600		185	415
Subtotal	$ 8,425			$ 4,895	$ 215	$ 555	$ 4,555
Solid Waste System							
Tax-Exempt Certificates Of Obligation:							
Series 1993	$ 2,000	1999	4.000	$ 435	$	$ 435	$
Subtotal	$ 2,000			$ 435	$	$ 435	$
Total	$ 169,770			$ 142,525	$ 1,370	$ 7,475	$ 136,420

[1]A portion of the outstanding principal applicable to certain series of Parking and Golf Course System bonds and certificates of obligation were advance refunded, prior to maturity, by the Series 1988, 1992, 1993, 1996A, and 1998A refunding bonds. Proceeds from the refunding bonds along with a cash contribution from the City's Debt Service Fund were utilized to purchase securities, guaranteed by the United States of America, which were irrevocably deposited into escrow accounts whose principal is scheduled to mature on such dates that when added to interest earned in the escrow accounts, is fully sufficient to make timely payment on the refunded bonds. The refunded bonds represent a legal defeasance and are not a liability of the City. The final principal payment, on a calendar year basis, and interest rate applicable to the outstanding, non-refunded bonds is as shown in this table.

[2]During fiscal year 1999, $352 from the General Obligation Debt Service Fund was utilized by the Golf Course System to assist with its current year debt service payment. This amount will be repaid in the future by the Golf Course System Fund. As such, this amount is recognized as a Note Receivable and Note Payable in each of the respective Funds.

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt for the City's Enterprise Funds including revenue bonds, general obligations, and certificates of obligation outstanding at September 30, 1999, are as follows:

Proprietary Long-Term Debt

Year Ending Sept. 30:	Airport System			Parking System			Golf Course System		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2000	$ 4,470	$ 7,496	$ 11,966	$ 1,145	$ 938	$ 2,083	$ 380	$ 254	$ 634
2001	4,755	7,206	11,961	835	880	1,715	390	232	622
2002	5,080	6,893	11,973	1,055	836	1,891	425	208	633
2003	5,410	6,567	11,977	1,135	779	1,914	455	179	634
2004	5,765	6,217	11,982	1,195	721	1,916	490	154	644
2005	6,120	5,837	11,957	1,240	657	1,897	515	129	644
2006	6,540	5,434	11,974	1,185	591	1,776	550	103	653
2007	6,370	5,002	11,372	1,250	527	1,777	240	76	316
2008	6,810	4,573	11,383	1,290	457	1,747	255	62	317
2009	7,255	4,114	11,369	1,200	384	1,584	265	48	313
2010	7,770	3,613	11,383	2,020	315	2,335	285	33	318
2011	8,310	3,081	11,391	1,950	201	2,151	305	17	322
2012	8,860	2,511	11,371	765	93	858			
2013	9,485	1,902	11,387	685	50	735			
2014	6,800	1,250	8,050	150	13	163			
2015	7,225	859	8,084	90	5	95			
2016	7,650	444	8,094						
Total	$114,675	$72,999	$ 187,674	$ 17,190	$ 7,447	$ 24,637	$ 4,555	$ 1,495	$ 6,050

Leases

Long-term debt of the City's Internal Service Funds and Golf Course Fund consisted of five lease-purchase agreements. The City's Print Shop, which provides binding, printing, and reproduction services to other City departments, entered into lease-purchase agreements for the acquisition of a print shop copier, a color print shop copier, and a departmental copier. The City's Golf Course Fund entered into a lease-purchase agreement for the acquisition of golf cart equipment and the City's Information Services Fund entered into a lease-purchase agreement for the acquisition of a mainframe computer. The gross value of these assets at September 30, 1999 was $1,966. The remaining future lease payments under these capital leases together with the present value of the net minimum lease payments as of September 30, 1999 are as follows:

Total Future minimum lease payments	$1,635
Less amount representing interest	135
Present value of minimum lease payments	$1,500

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Prior Years Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain General Obligation Bonds, Revenue Bonds and Certificates of Obligation. The refunding bonds were utilized to purchase securities which are direct obligations of the United States of America (the Purchased Securities). The Purchased Securities plus cash were deposited into irrevocable escrow funds in amounts scheduled to mature in principal amounts that, when added to interest earned on the Purchased Securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City, therefore, they are not included in the City's financial statements. On September 30, 1999, $135,599 of previously defeased bonds were outstanding.

Conduit Debt Obligations

The City facilitates the issuance of bonds to enable the San Antonio Industrial Development Authority, Health Facilities Development Corporation and the Higher Education Authority, a discretely presented component unit of the City, to provide financial assistance to various entities for the acquisition, construction or renovation of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired property transfers to the entity served by the bond issuance. As of September 30, 1999, there were twenty-six series of Industrial Revenue Bonds, fourteen series of Health Facilities Development Bonds, and nine series of Educational Facilities Revenue Bonds outstanding. The aggregate principal amount payable for the one series of Industrial Revenue Bonds and the two series Educational Facilities Revenue Bonds issued after October 1, 1997 was $5,500 and $18,108, respectively. The aggregate principal amount payable for the remaining series of Industrial Revenue Bonds, Health Facilities Development Bonds, and Educational Facilities Revenue Bonds issued prior to October 1, 1997 could not be determined, however, their aggregate original principal issue amounts were $71,743, $80,581, and $68,525, respectively.

The City also facilitates the issuance of tax exempt revenue bonds to enable the San Antonio Housing Finance Corporation to provide financing of residential developments for persons of low and moderate income. The bonds are secured by the property financed and are payable solely from and secured by a pledge of rental receipts. As of June 30, 1999, there were twenty-seven series of tax exempt revenue bonds outstanding with an aggregate principal amount payable of $137,673.

To provide for the acquisition and construction of certain airport facilities, the City has issued Special Facilities Airport Revenue Bonds, Series 1995 and Special Airport Facilities Revenue Refunding Bonds, Series 1999. The bonds are payable pursuant to lease agreements, which stipulate that various commercial entities are obligated to pay amounts to a third party trustee, in-lieu of lease payments to the City. These payments are sufficient to pay when due the principal, premium, interest on and purchase price of the bonds. The aggregate principal amount payable for the Special Facilities Airport Revenue Bonds, Series 1995, issued prior to October 1, 1997 could not be determined, however, the aggregate original principal issue amount was $5,000. The aggregate principal amount payable for the Special Airport Facilities Revenue Refunding Bonds, Series 1999 was $4,421 at September 30, 1999.

Neither the City, the State, nor any political subdivision is obligated in any manner for repayment of the aforementioned bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

A. Primary Government (City) (Continued)

2. Proprietary Long-Term Debt (Continued)

Special Assessment Debt

During fiscal year 1997, the City issued $2,730 Special Assessment Revenue Refunding Bonds, Series 1997. The net proceeds of the transaction of $2,670 after payment of costs of issuance plus a cash contribution from the Special Assessment District of $957 were utilized to purchase securities guaranteed by the United States of America. These securities were deposited into an irrevocable escrow account and together with interest earned in the account will provide for all future debt service payments on the refunded debt. Accordingly, the refunded debt is considered to be defeased.

As of September 30, 1999, $1,765 of special assessment debt was outstanding. The City is not obligated in any manner for this debt, therefore, the liability is not reported in the City's financial statements. The City acts as an agent for the Downtown Improvement District and transactions related to this debt are recorded in the Special Downtown Improvement District Agency Fund.

Tax Increment Financing

During 1998, City Council approved "Guidelines and Criteria" for the utilization of "Tax Increment Financing" ("TIF") and the creation of "Tax Increment Reinvestment Zones" ("TIRZ") pursuant to Chapter 311 of the Texas Tax Code. The City is utilizing TIF as a vehicle to fund in whole or in part eligible capital costs related to economic development, commercial and residential projects. During the fiscal year ended September 30, 1999, City Council took action to approve the final project and financing plans for the four TIRZ previously established. The four TIRZ, also referred to as the Rosedale Project, Highland Heights Project, New Horizons Project, and Mission Del Lago Project, were established in order to reimburse developers for the financing costs and public improvements to be made in each of the TIRZ for construction of single family and multi-family residential housing.

B. City Public Service (CPS)

As of January 31, 1999 the Bond Ordinances for New Series Bonds issued on and after August 6, 1992 contain, among others, the following provisions:

1. Gross Revenue is applied as follows: (a) for maintenance and operating expenses of the systems, (b) for payments of the New Series Bonds, including the establishment and maintenance of the reserve therefor, (c) for the payment of any obligations inferior in lien to the New Series Bonds which may be issued, (d) for an amount equal to 6% of the gross revenues of the systems to be deposited in the Repair and Replacement Account, (e) for cash payments and benefits to the City not to exceed 14% of the gross revenues of the systems, and (f) any remaining net revenues in the General Account to the Repair and Replacement Account.

2. The following accounts are established: (a) General Account, (b) Repair and Replacement Account, (c) Bond Construction Account (containing the proceeds of revenue bonds), (d) Retirement Account - interest and sinking fund portion (containing the monthly principal and interest payments on the New Series Bonds), and (e) a Bond Reserve Fund portion (equal to not less than the average annual principal and interest requirements of all outstanding New Series Bonds). As of January 31, 1999, bond reserve requirements for the New Series Bonds have been met with the purchase of a surety policy.

6. LONG-TERM DEBT (Continued)

B. City Public Service (CPS) (Continued)

Revenue Bonds

A summary of revenue bonds is as follows:

City Public Service
Revenue Bonds
For Fiscal Year Ended January 31*

Bond Series	Maturities	Weighted-Average Interest Rate on Outstanding Bonds	1999	1998
Tax Exempt New Series Serial Bonds, 1992-1998	2000-2021	5.188%	$2,694,680	$2,411,645
Taxable New Series Bonds, 1998	2000-2020	6.289%	99,615	
New Series Capital Appreciation Bonds, 1989 and 1991	2002-2012			170,993
Total New Series Bonds outstanding		5.233%	2,794,295	2,582,638
Less: Current maturities of bonds			63,720	61,640
Revenue bonds, net of current maturities			$2,730,575	$2,520,998

Principal and interest amounts due for the next five years and thereafter to maturity are:

City Public Service

Principal and Interest Requirements

Year	Principal	Interest	Total
2000	$ 63,720	$ 145,205	$ 208,925
2001	67,215	142,193	209,408
2002	70,530	138,929	209,459
2003	76,515	135,508	212,023
2004	103,435	131,944	235,379
Thereafter to maturity	2,412,880	1,107,152	3,520,032
Total	$ 2,794,295	$ 1,800,931	$ 4,595,226

In December 1998, CPS issued $885,100 of New Series 1998 bonds. The issue consisted of $785,500 in New Series 1998A Tax Exempt Bonds at an average interest rate of 4.92% and $99,600 in Taxable New Series 1998B Bonds at

(amounts are expressed in thousands)

6. **LONG-TERM DEBT (Continued)**

B. City Public Service (CPS) (Continued)

Revenue Bonds (Continued)

an average interest rate of 6.34%. The New Series 1998A Bonds refunded $439,700 in certain outstanding New Series Bonds and $244,300 in Tax-Exempt Commercial Paper (TECP), while the Taxable New Series 1998B Bonds refunded $45,700 in certain outstanding New Series Bonds and $42,500 in TECP. In addition to the refunding, $161,300 of certain New Series Bonds were legally defeased with cash resources.

The New Series 1998 Bonds and the cash defeasance fully defeased all bonds issued prior to August 6, 1992, thereby allowing the New Series Bond Reserve to be replaced with a surety policy and this was done in conjunction with the issuance of the New Series 1998 Bonds and the cash defeasance. The surety policy provides a reserve requirement equal to the highest average annual principal and interest requirement of the New Series Bonds outstanding as of January 31, 1999. Of the funds available from the assets in the New Series Bond Reserve in December 1998, $155,000 was used to fund the cash defeasance; $52,500 was transferred to the Bond Construction Fund; and the remainder of the funds were transferred to the Repair and Replacement Account. The cash defeasance transaction resulted in a loss of $24,900 which is reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings for 1999.

The par value of the New Series 1998 Bonds issued was $16,100 more than the amount of debt refunded. Cash flow savings of $39,700, which is equivalent to a present value savings of $23,600, resulted from this bond transaction. In May 1997, CPS issued $661,200 of New Series 1997 bonds at an average interest rate of 5.65%. The issue consisted of $350,000 in revenue bonds and $311,200 in refunding bonds. The new money bonds were expected to fund most construction requirements into fiscal year ending January 31, 2000.

The 1997 refunding bonds were issued to refund $302,600 in certain outstanding New Series Bonds, and were $8,600 more than the amount of the bonds refunded. The refunding transaction resulted in a cash flow savings of $15,700, which equates to a present value savings of $9,100, or 3% of the par amount of refunded bonds. In August 1997, CPS issued a call for $170,000 in New Series Bonds, including $32,000 in maturities due at year end.

C. San Antonio Water System (SAWS)

On April 30, 1992, City Ordinance No. 75686 was adopted. This ordinance authorized the issuance of $635,925 Water System Revenue Refunding Bonds, Series 1992, dated April 15, 1992. These bonds were issued to refund, in advance of maturity, $253,065 Water Revenue Bonds authorized and outstanding under terms of City Ordinance No. 52091, $330,125 of Sewer Revenue Bonds authorized and outstanding under terms of City Ordinance No. 51975, $14,500 of other bonded debt of annexed water districts, and $49,200 of Sewer System Commercial Paper. The purpose of this advance refunding was to release and discharge the covenants contained in City Ordinance No. 52091 and No. 51975 in order to permit the City to consolidate the operations of the water related utilities.

The System: City Ordinance No. 75686 defines SAWS as all properties, facilities, plants owned, operated and maintained by the City and/or the Board of Trustees, for the supply, treatment, transmission and distribution of treated potable water, chilled water and steam, for the collection and treatment of wastewater and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of SAWS; provided however, that the City retains the right to incorporate a stormwater system as provided by the Texas Local Government Code. See "Stormwater" below.

6. **LONG-TERM DEBT (Continued)**

C. San Antonio Water System (SAWS) (Continued)

Funds Flow: City Ordinance No. 75686 requires that Gross Revenues of SAWS be applied in sequence to: (1) current maintenance and operating expenses including a two month reserve based upon the budgeted amount of maintenance and operating expenses for the current fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) payment of amounts required on Inferior Lien Obligations, and (7) transfers to the City's General Fund and to the Renewal and Replacement Fund.

Reuse Contract: SAWS has a contract with City Public Service, the City owned electric and gas utility, for the provision of reuse water. The revenues derived from the contract have been restricted in use to only reuse activities, are excluded from the calculation of Gross Revenues, and are not included in any transfers to the City's General Fund. Revenues derived from this contract were $2,000 in 1999.

SAWS is developing a recycled water system which will provide nonpotable water to various customers now using Edwards Aquifer water. In 1997, the System began serving Mission Del Lago, a golf course and a recycled water customer. Revenue from recycled water sales will be recorded as normal revenue of SAWS and will not have the restrictions of the reuse contract.

Stormwater: In addition to the water related utilities which the Board has under its control, the City Council approved Ordinance No. 77949 on May 13, 1993, which established initial responsibilities over the Stormwater Program with the System and adopts a schedule of rates to be charged for stormwater services and programs. The Stormwater Program is deemed to not be a part of SAWS as the term is defined in City Ordinance No. 75686. Accordingly, operations of the Stormwater Program are not considered when determining compliance with debt covenants contained in City Ordinance 75686 or in calculating payments to be made to the City. In fiscal year 1997, the City Council placed the administrative responsibility with its own staff and entered into an interlocal agreement with SAWS for the provision of services related to certain water quality monitoring functions.

No Free Service: City Ordinance No. 75686 also provides for no free services except for municipal fire-fighting purposes and certain stormwater utility service.

Revenue Bonds

On October 16, 1997, the City Council adopted City Ordinance No. 86794. This ordinance authorized the issuance of $106,735 in Water System Revenue Refunding Bonds, Series 1997 with interest rates of 4.25% to 6.0%. The bonds were issued for the purpose of refunding $101,665 of the outstanding Water System Revenue Refunding Bonds, Series 1992 in order to lower the overall annual debt service requirements and to pay costs of issuance of the Bonds. The net proceeds of $107,694 (after payment of $904 underwriter's discount, insurance, and other issuance costs and issuance premium of $2,062) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to advance refund the Water System Revenue Bonds, Series 1992, maturing in years 2005 through 2016 with interest rates ranging from 6.0% to 6.5%. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet.

The advance refunding resulted in the recognition of an accounting loss of $10,702 for the year ended May 31, 1998 and is being amortized through the year 2016. However, SAWS in effect reduced its aggregate debt service payments by $6,066 over the next 18 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of $4,045.

6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

Revenue Bonds (Continued)

Additionally, on November 14, 1997, SAWS deposited $56,166 (after payment of $484 in insurance and issuance costs) of cash and U.S. government securities in an irrevocable trust with an escrow agent to advance refund $55,870 of Water System Revenue Refunding Bonds, Series 1992 maturing in years 1999 through 2012 with interest rates ranging from 5.800% to 6.500%. As a result, the Series 1992 bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The advance refunding of the 1992 Series did not result in a cash flow or an economic gain or loss, since the irrevocable trust was funded with Reserve Fund monies.

In prior years, SAWS defeased certain capital appreciation and revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in SAWS' financial statements. At May 31, 1999, $266,805 are considered defeased.

Annual Requirements

Annual Debt Service Requirements
Revenue Bonds

Year Ending May 31	Revenue Refunding Bonds, Series 1992	Revenue Improvement and Refunding Bonds Series 1996	Revenue Refunding Bonds, Series 1997	Total All Bonds
2000	$ 39,498	$ 3,817	$ 6,061	$ 49,376
2001	39,502	3,817	6,060	49,379
2002	39,501	3,817	6,064	49,382
2003	39,503	3,817	6,061	49,381
2004	39,501	3,817	6,067	49,385
Thereafter	337,218	130,499	134,014	601,731
Total	$ 534,723	$ 149,584	$ 164,327	$ 848,634
Principal	$ 341,960	$ 68,000	$ 106,270	$ 516,230
Interest	192,763	81,584	58,057	332,404
	$ 534,723	$ 149,584	$ 164,327	$ 848,634

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

Capitalized Interest Costs

Interest costs incurred on revenue bonds and short-term commercial paper debt totaled $34,491 during fiscal year 1999, of which $4,357 was capitalized as part of the cost of SAWS' utility plant additions.

Debt Coverage Ratio

San Antonio Water System
Revenue Bond Debt Coverage Ratio
(Unaudited)

	For the Fiscal Years Ended May 31: 1999	1998
Operating Revenues	$ 180,041	$ 172,293
Less: Revenues from City Public Service Contract	2,000	2,000
Revenues from Stormwater Program		
	178,041	170,293
Nonoperating Revenues	5,494	7,650
Less: Interest on Debt Service and Project Funds	1,734	3,972
	3,760	3,678
Gross Revenues	181,801	173,971
Maintenance & Operation Expense	100,430	93,884
Less: Stormwater Program Expenses		
	100,430	93,884
Pledged Revenues	$ 81,371	$ 80,087
Maximum Annual Principal and Interest Requirements on Outstanding Revenue Bonds	$ 49,385	$ 49,385
Debt Coverage Ratio	1.65%	1.62%
Debt Service Requirement for Fiscal Year	$ 52,230	$ 53,703
Debt Coverage Ratio	1.56%	1.49%

Leases

SAWS entered into four lease agreements for financing the acquisition of computer equipment and software. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The terms of the leases are for five years with payments of $12,890 monthly and $154,684 annually. The annual percentage rates of the leases is 5.5%. At the end of the respective lease terms, the ownership of the equipment transfers to SAWS. Please note the amounts in this paragraph are not stated in thousands.

(amounts are expressed in thousands)

6. LONG-TERM DEBT (Continued)

C. San Antonio Water System (SAWS) (Continued)

Leases (Continued)

The future minimum lease obligations and the present value of these minimum lease payments as of May 31, 1999, were as follows:

San Antonio Water System
Minimum Lease Obligation and Present Value of Lease Payments

Years Ending May 31,		
2000	$	319
2001		231
2002		209
2003		155
2004		31
Total Minimum Lease Payments		945
Less: Amount Representing Interest		(83)
Present Value of Minimum Lease Payments	$	862

7. COMMERCIAL PAPER PROGRAMS

A. City Public Service (CPS)

In October 1988, the City Council of San Antonio, Texas (City Council) adopted an ordinance authorizing the issuance of up to $300,000 in Tax-Exempt Commercial Paper (TECP) to assist in the financing of eligible projects, including fuel acquisition and capital improvements to the utility systems (the Systems) and to refinance or refund any outstanding obligations which are secured by and payable from a lien on and/or a pledge of net revenues of the Systems. The program's scheduled maximum maturities will not extend beyond November 1, 2028.

In June 1997, the City Council approved an amendment to the ordinance which allowed for the expansion of the TECP Program to a limit of $450,000. Subsequently, CPS issued $20,000 still available from the $300,000 former limit, and $150,000 in additional TECP notes. Proceeds were used to call $170,000 of New Series Bonds in August 1997. The bond call transaction resulted in expected cash flow savings of $8,800 during the term of the called bonds, which equates to an expected present value savings of $7,800. CPS sold an additional $4,500 of TECP during October 1997 which was used to fund construction costs for that month, bringing the total amount of TECP outstanding to the program's new limit of $450,000.

7. COMMERCIAL PAPER PROGRAMS (Continued)

A. City Public Service (CPS) (Continued)

In conjunction with the 1998 New Series Bond transaction, TECP totaling $286,800 was refunded with proceeds of these bonds and $34,900 was redeemed using Repair and Replacement Account Funds. Of the total cash redemption, $18,300 was redeemed in December 1998, while the remainder of $16,600 was redeemed in January 1999. As of January 31, 1999, $128,300 in principal amount was outstanding, with a weighted-average interest rate of approximately 3.09% and an average life outstanding of approximately 110 days.

The TECP has been classified as long-term in accordance with the refinancing terms under a revolving credit agreement with a consortium of banks which supports the commercial paper. Under the terms of the agreement, CPS may borrow up to an aggregate amount not to exceed $450,000 for the purpose of paying amounts due under the TECP. The credit agreement has a term of two years, currently extended until November 1, 2000, and may be renewed for additional periods. To date, there have been no borrowings under the credit agreement. The TECP is secured by the net revenues of the Systems. Such pledge of net revenues is subordinate and inferior to the pledge securing payment of the New Series Bonds and any New Series Bonds to be issued in the future.

B. San Antonio Water System (SAWS)

In 1996, the City Council authorized SAWS to expand the tax-exempt short-term borrowing program (the "Commercial Paper Program") from $100,000 to $175,000. The purpose of the Commercial Paper Program is to provide funds for the interim financing of a portion of the costs of capital improvements to SAWS. Scheduled maturities of the short-term borrowing under the Commercial Paper Program may not extend past May 14, 2032. The City has covenanted in the ordinance authorizing the Commercial Paper Program (the "Note Ordinance") to maintain at all times credit facilities with banks or other financial institutions which would provide available borrowing sufficient to pay the principal of the Commercial Paper Program.

The borrowings under the Commercial Paper Program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the Commercial Paper Program and (ii) borrowing under and pursuant to the revolving Credit Agreement. SAWS and Westdeutsche Landesbank Girozentrale (the "Bank") have entered into a revolving credit agreement (the "Credit Agreement") pursuant to which the Bank is obligated under the Credit Agreement to loan to SAWS amounts not to exceed $175,000 as amended, for the purpose of paying amounts due on the Commercial Paper Program. Any borrowing under the Credit Agreement is equally and ratably secured by and payable from the above-described sources pledged for payment of the Commercial Paper Program and from a pledge of the Net Revenues of SAWS, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations. Management intends to continue the remarketing of the tax-exempt commercial paper notes as it intends to maintain a portion of its debt in variable rates.

SAWS issued $75,000 in notes under the Commercial Paper Program during the fiscal year ended May 31, 1999. The proceeds of the notes have been used solely for the financing of capital improvements of SAWS. Commercial paper notes in the amount of $145,000 are outstanding at May 31, 1999 with interest rates on the notes ranging from 2.80% to 3.25% and from 5 to 82 days in maturity.

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS

A. General Plan Information

The City of San Antonio, SAWS and CPS participate in several contributory retirement plans. These are funded plans covering substantial full-time employees. Payroll and contribution information as of the year end for each entity is presented below:

Contributory Pension and Retirement Plans

Entity	Title	Type of Plan	Covered Payroll	Employee Contribution	Employer Contribution	Total Contributions
City	Fire and Police Fund	Single Employer Defined Benefit Plan	$ 153,765	$ 18,441	$ 36,882	$ 55,323
	Texas Municipal Retirement System (TMRS)	Non Traditional Defined Contribution Agent Plan	150,504	9,030	14,921	23,951
Component Units:						
[1]SAWS	Texas Municipal Retirement System (TMRS)	Non Traditional Defined Contribution Agent Plan	47,909	1,437	1,576	3,013
	PMLIC Contract	Agent Multiple Employer Defined Benefit Plan	48,183		3,344	3,344
[2]CPS	CPS All Employees Plan	Single Employer Defined Benefit Plan	129,063	6,239	14,375	20,614

[1] Year ended May 31, 1999

[2] Year ended January 31, 1999

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio

Fire and Police Pension Plan

In fiscal year 1996, management of the Fire and Police Pension Fund (the Pension Fund), a blended component unit, elected to implement the provisions of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans". Accordingly, with respect to the Fire and Police Pension Fund, the City implemented the provisions of GASB Statement No. 27, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans" in fiscal year 1996.

The Pension Fund is a single-employer defined benefit retirement plan established in accordance with the laws of the State of Texas. The City provides retirement benefits for all eligible full-time Fire and Police employees through the Pension Fund. Employees who terminate having five to twenty years of service may apply to receive a refund of their original contribution. Employees retiring who have served and contributed for twenty years or more shall, upon application to the Board of Trustees of the Pension Fund, receive a retirement pension based on the average of the employee's total salary, excluding overtime pay, for the highest three years of pay of the last five years of service. The retirement annuity is computed at the rate of 2% of this average for the first twenty years of service, plus 4% for each of the next ten years served and 1% for each of the next five years of service, up to 85% of the average salary. Additionally, plan amendments effective October 1, 1997 include an increase of 1% in the annual benefit for members who retired prior to October 1, 1989, and an increase in the benefit multiplier of 0.5% for each year of service between twenty five and thirty years.

An employee with twenty years and one month of actual service credit may at the time of retirement elect a Backward Deferred Retirement Option Plan (Back DROP). The Back DROP election results in a lump sum payment equal to the number of full months of service elected by an employee that does not exceed the lesser of the number of months of service credit the employee had in excess of twenty years or twenty-four months and a reduced annuity payment.

The disbursement of a 13th pension check may be authorized by the Board for any fiscal year ending after 1996 if the yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five year period by at least 100 basis points. The 13th pension check is paid to each retiree and beneficiary receiving an annuity at the time of disbursement and is in an amount equal to the pension check paid in the last month of the preceding fiscal year of the Pension Fund (retirees/beneficiaries with less than one year of benefits will receive a prorated check, and no check will be paid to members who retire after the end of the fiscal year).

If service is terminated by reason of death or disability, the employee's beneficiary or the employee shall be entitled to one-half of the average of the employee's total salary, excluding overtime pay, based on the same number of years of the member's pay as used to compute normal retirement benefits. If a member is killed in the line of duty, the member's surviving spouse and dependent children are entitled to a pension based upon actual base salary at time of death.

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Fire and Police Pension Fund of San Antonio, 311 Roosevelt, San Antonio, Texas 78210-2700 or by calling (210) 534-3262.

Contribution requirements of plan members and the City are established and may be amended by State statute. In the current year, the City contributed 24% of covered payroll and employees contributed 12% of covered payroll. The employer's required contribution of $36,882 and the employee's required contribution of $18,441 were made to the Pension Fund. (See summary of contribution information at Part A of this footnote).

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio (Continued)

Fire and Police Pension Plan (Continued)

For the year ended September 30, 1999, the City's annual pension cost of $36,882 for the Pension Fund was equal to the City's required and actual contributions. The annual required contribution was determined as part of the October 1998 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increase of 5.5% per year. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Pension Fund's unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 1998 was 20.39 years.

Texas Municipal Retirement System

The Texas Municipal Retirement Systems (TMRS) elected to implement the provisions of GASB Statement No. 25, "Financial Reporting of Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans". As such, the City implemented the provisions of GASB Statement No. 27, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans" in fiscal year 1998.

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, defined contribution plan in the TMRS. The TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1947 to provide retirement and disability benefits to city employees. It is the opinion of the TMRS management that the plans in TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

TMRS issues a publicly available financial report that includes financial information related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or calling (512) 476-7577.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage of the employee's accumulated contributions. In addition, the City may grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average salary for the last three years. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the City-financed monetary credits with interest were used to purchase an annuity.

Members are eligible to retire upon attaining the normal retirement age of 60 and above with 10 or more years of service or with 20 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 10 years, but must leave accumulated contributions in the plan. If a member withdraws the contributions with interest, the member would not be entitled to the City-financed monetary credits, even if vested. The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

8. PENSION AND RETIREMENT PLANS (Continued)

B. City of San Antonio (Continued)

Texas Municipal Retirement System (Continued)

Significant assumptions used in the actuarial valuation of annual required contributions include a rate of return on the investment of present and future assets of 8.0% per year. Additionally, there is no need to project salary increases since the benefit credits earned for service to date are not dependent on future salaries. Because of the money-purchase nature of the plan, the interest rate assumption does not have as much impact on the results as it does for a defined benefit plan.

Contribution requirements are actuarially determined. The contribution rate for the City's employees is 6% and the matching percent is currently 9.97%, both as adopted by the governing body of the City. (See summary of contribution information in Part A of this footnote). Under the state law governing TMRS, the Employer's Contribution rates are annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's twenty-five year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is being amortized over a new twenty-five year period. Currently, the unfunded actuarial liability is being amortized over a constant twenty-five year period as a level percent of payroll. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. All current year required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

C. San Antonio Water System (SAWS)

Effective with the fiscal year ending May 31, 1999, SAWS has elected to implement GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers" which supercedes GASB Statement No. 5, "Disclosures of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers".

SAWS retirement program includes benefits provided by Texas Municipal Retirement System, a contract with Principal Mutual Life Insurance Company, and Social Security.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of:

1. 20 Years of credited service regardless of age, or
2. 25 Years of credited service and at least age 50, or
3. 10 Years of credited service and at least age 60.

The normal retirement benefit is based upon two factors, average compensation and years of credited service. Average Compensation is defined as the monthly average of compensation for the three consecutive years ending December 31, out of the latest ten prior to retirement which give the highest average.

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

The normal retirement benefit under the Principal Mutual contract is equal to:

1. 1.2% of the Average Compensation, as defined, times years of credited service not in excess of 25 years, plus
2. 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3. 0.375% of the Average Compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits.

The following information related to the Texas Municipal Retirement System and Principal Mutual Life Insurance has been prepared as of January 1, 1999.

Texas Municipal Retirement System

SAWS provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined contribution plan in the Texas Municipal Retirement System (TMRS). The TMRS was established in 1948 as a retirement and disability pension system for municipal employees in the State of Texas, and is administered in accordance with the Texas Municipal Retirement System Act. It is the opinion of the TMRS management that the plans in the TMRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the SAWS- financed monetary credits, with interest. At the date the plan began, SAWS granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, 200%) of the employee's accumulated contributions. In addition, SAWS may grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and SAWS matching percent had always been in existence and if the employee's salary had always been the average salary for the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages of 60 and above with 10 or more years of service or with 25 years of service regardless of age. The plan also provides death and disability benefits. A member is vested after 10 years. If a member withdraws his own money, he/she is not entitled to the employer-financed monetary credits, even if he/she was vested. The plan provisions are adopted by SAWS within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

Texas Municipal Retirement System (Continued)

The contribution rate for the employees is 3% of salary, and SAWS matching rate approximates 100% of the employee rate, both as adopted by SAWS. Under the state law governing TMRS, SAWS contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to SAWS matching percent, which are the obligation of SAWS as of an employee's retirement date not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of SAWS to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period.

When SAWS periodically adopts updated service credits and increases the annuities in effect, the increased unfunded actuarial liability is to be amortized over a new twenty-five year period. Currently, the unfunded actuarial liability is to be amortized over the twenty-five year period which began January 1, 1998. The unit credit actuarial cost method is used for determining SAWS contribution rate.

Contributions are made monthly by both the employees and SAWS. Since SAWS needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Significant assumptions used in the actuarial valuation of annual required contributions include a rate of return on the investment of present and future assets of 8.0% per year. Additionally, there is no need to project salary increases since the benefit credits earned for service to date are not dependent on future salaries. Likewise, inflation and cost-of-living adjustments are not accounted for in the actuarial study. Assets are valued at market rate.

Principal Mutual Life Insurance Company

The contract with Principal Mutual Life Insurance Company (PMLIC) serves as a supplement to the TMRS and Social Security benefits. PMLIC serves as an agent multiple-employer provider that acts as a common investment and administrative agent for SAWS. SAWS'covered payroll at January 1, 1999 under this contract was $48,183.

SAWS provides supplemental pension benefits for all full-time employees through this defined benefit plan. Employees are eligible to participate in the plan on January 1 of the calendar year following date of hire. An employee covered by the plan may vest a portion of the plan benefits if termination occurs after sufficient years of service have been credited. The plan allows an employee to accrue vesting benefits as follows:

Years of Service	Vested Percentage
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

(amounts are expressed in thousands)

8. PENSION AND RETIREMENT PLANS (Continued)

C. San Antonio Water System (SAWS) (Continued)

Principal Mutual Life Insurance Company (Continued)

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

Benefits for retired employees are fully guaranteed at retirement. Fixed income assets are valued on a contract basis. Long-term equity investments are adjusted by spreading unrealized appreciation and depreciation over four years. Short-term investments, real estate, and bonds are valued at market.

Significant assumptions used by PMLIC's actuary to compute the actuarially determined contribution requirements include: (a) a rate of return on the investment of present and future assets of 7.0 % per year, compounded annually, (b) salary scale from Table S-5 of the Actuary's Pension Handbook, plus 3.4 %, and (c) plan expenses according to the expense scales of the Service Agreements.

The PMLIC contract funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. The actuarial cost method is known as the Entry Age Normal-Frozen Initial Liability Method. This method spreads the total cost of the projected pension benefits for each employee from the date the employee is first eligible for the plan to the employee's normal retirement date. As plan benefits are related to compensation, the cost is spread as a level percentage of compensation.

The actuarial valuation which was performed for the plan year reflects an unfunded frozen initial liability of $16,652.

SAWS' contribution to the PMLIC contract was $3,344 for the year ended May 31, 1999. SAWS does not make contributions based on the above actuarial computed amounts. SAWS contributes the actuarial computed normal cost plus interest on the Unfunded Frozen Initial Liability, and interest on the normal cost for the year. Employees do not make contributions to this plan.

SAWS is considering replacing the current funding policy of depositing Normal Cost plus interest on the unfunded liability with the new annual required contributions for the plan as set in Governmental Accounting Standards Board No. 27. Depositing at this new level will continue to fund normal cost and interest on the unfunded liability but also include an amount to amortize the unfunded liability over a period of 20 years.

For the year ended May 31, 1999, SAWS annual pension cost of $3,344 was equal to SAWS required and actual contributions.

The PMLIC issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Principal Life Insurance Company, Pension Diversified Retirement Services, Des Moines, Iowa 50392-0001 or by calling (515) 247-5111.

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8. PENSION AND RETIREMENT PLANS (Continued)

D. CPS All Employee Plan

Effective with the fiscal year ending January 1, 1998, CPS implemented GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers" which supercedes GASB Statement No. 5, "Disclosures of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers".

The CPS Pension Plan is a self-administered, single-employer, defined-benefit contributory pension plan (Plan) covering substantially all employees who have completed one year of service. Normal retirement is age 65; however, early retirement is available with 25 years of service. The Plan was amended effective January 1, 1999, to also allow early retirement to those employees who are age 55 or older with at least 10 years of benefit service. This change had no effect on funding requirements for the fiscal period ended December 31, 1998. Retirement benefits are based on length of service and compensation, and benefits are reduced for retirement before age 55.

The Plan is sponsored and may be amended by CPS, acting by and through the General Manager and Chief Executive Officer of CPS. The Plan assets are held in a separate trust that is periodically audited and which financial statements include historical information. Additional information may be obtained by writing the Employee Benefits Division of CPS, P.O. Box 1771, San Antonio, Texas 78296 or by calling (210) 978-2484.

Funding levels are established through annual actuarial evaluations and recommendations of an Administrative/Investment committee, using both employee and employer contributions. Participating employees contribute 5.0 % of their total compensation and are fully vested after completing 15 years of credited service. The Plan was amended effective January 1, 1999, to reduce the time it takes an employee to fully vest to 7 years. The balance of contributions made amounted to 11.1 % and are the responsibility of CPS, considering actuarial information, budgetary compliance, and the need to amend the Plan with legal requirements. (See Summary of Contribution Information at Part A of this footnote).

CPS' annual pension cost of $14,375 was equal to the annual required contribution. The annual required contribution was determined as part of the January 1, 1998 actuarial valuation using (a) the five-year smoothed market method for asset valuation, (b) the projected unit credit for pension cost and valuation, and (c) the level dollar for amortization. The remaining amortization period is 2.84 years and is calculated using the level dollar open amortization method.

Significant actuarial assumptions used for the January 1, 1998 actuarial valuation include (a) a rate of return on the investment of future assets of 8.5 % per year compounded annually, (b) projected salary increased averaging 5.0 %, and (c) post-retirement cost-of-living increases of 2.0 %. The projected salary increases include an inflation rate of 4.0 %.

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8. PENSION AND RETIREMENT PLANS (Continued)

E. Required Three Year Trend Information

Trend information compares the annual required contribution to annual pension cost and the resultant net pension obligation as required by GASB Statement No. 27.

Three Year Trend Information

Pension Plan	Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
Fire and Police Pension – City of San Antonio	1997	$	33,072	100%	$	0
	1998		34,963	100%		0
	1999		36,882	100%		0
TMRS – City of San Antonio	1997	$	13,263	100%	$	0
	1998		13,442	100%		0
	1999		14,921	100%		0
TMRS – SAWS	1997	$	1,347	100%	$	0
	1998		1,524	100%		0
	1999		1,576	100%		0
PMLIC – SAWS	1997	$	2,505	100%	$	0
	1998		2,748	100%		0
	1999		3,344	100%		0
CPS All Employee Plan	1997	$	14,267	100%	$	0
	1998		12,426	100%		0
	1999		14,375	100%		0

Location of Schedules of Funding Progress

The Schedule of Funding Progress is located in the "Required Supplementary Information" section of this report. The schedules are designed to provide information about each entity's progress in accumulating sufficient assets to pay benefits due.

9. POSTEMPLOYMENT RETIREMENT BENEFITS

A. City of San Antonio

In addition to the pension benefits discussed in Note 8, the City provides all their retired employees with certain health benefits under two postemployment benefit programs. The first program is a health insurance plan which provides benefits for all non-uniformed City retirees and for all, pre-October 1, 1989, uniformed (fire and police) retirees. Currently, there are 6,071 active civilian employees who may become eligible in the future. Employees become eligible for the program when they reach eligibility for the TMRS Pension Plan, discussed in Note 8. At September 30, 1999, there were 1,296 retirees participating in the program which covers eligible expenses at eighty percent after a deductible of $200 (single)/$400 (family) for non-Medicare and $125/$250 for Medicare retirees. The cost of the program is reviewed annually, and actuarially determined costs of medical claims are funded jointly by the City and retirees on a pay as you go basis shared on a 67% City - 33% retiree cost allocation. Please note that the number of employees, retirees, and deductible amounts in this paragraph are not expressed in thousands. For retirees, total expenses for the year were $4,602. For the year ended September 30, 1999, total contributions were as follows:

City	$ 2,139
Employees	1,109
TOTAL	$ 3,248

The second postemployment benefit program of the City provides retirement health care benefits for eligible Fire and Police Retirees, in accordance with provisions established by contract with the local Fire and Police Unions. Activity for this program had previously been reported in the Self-Insurance Internal Service Fund. Pursuant to the passage of Senate Bill 1568, the Fire and Police Retiree Health Care Fund, a separate and distinct statutory trust, was created for this program and equity was transferred from the City to the new trust in fiscal year 1998. For additional details on the transfer, see Note 16, Equity Transfer.

The benefits of this plan are financed on a pay-as-you-go basis. The City currently makes contributions on behalf of 3,188 active Firemen and Policemen who may be eligible for benefits under this plan in the future. The benefits of the plan are not available until the employee has completed twenty years of service and the plan is currently providing benefits to 584 eligible retirees. The Program reimburses 80 percent of the amount of eligible claims for standard medical costs and 100 percent for hospitalization costs incurred by the retiree and their eligible dependents. Based on the Fire and Police contracts, the City contributed 9.4 % of base pay plus longevity for active Fire and Police employees. Please note the number of firemen and policemen, retirees, and City monthly contribution rates in this paragraph are not expressed in thousands. For the year ended September 30, 1999, total expenses for retired employees was $3,255 and total contributions were as follows:

City	$ 13,293
Employees	171
TOTAL	$ 13,464

B. City Public Service (CPS)

CPS provides certain health care and life insurance benefits for retired employees. Most former CPS employees are eligible for these benefits upon retirement from CPS. Plan assets are held as part of CPS' Group Health and Life Plans and funding is from both participant and employer contributions determined by annual actuarial and in-house calculations. Retired employees contribute to the health plan in varying amounts depending upon an equity formula that considers age and years of service. The Plans may be amended by CPS, acting by and through the General Manager of CPS. The annual cost of retiree health care and life insurance benefits funded by CPS is recognized as

9. POSTEMPLOYMENT RETIREMENT BENEFITS (Continued)

B. City Public Service (CPS) (Continued)

an expense of CPS as employer contributions are made to the programs. These costs approximated $2,300 for 1999. CPS contributed $200 to the Health Plan and $10 to the Life Plan to cover costs associated with the Voluntary Early Retirement Program offered to its executives during 1998. CPS reimbursed $45.50 per month for Medicare supplement for certain retirees and their spouses enrolled in Medicare Part B.

Retired employees and covered dependents contributed $928 for their health care and life insurance benefits in fiscal year 1999. There were approximately 1,875 retirees and covered dependents eligible for health care and life insurance benefits. Please note the number of retirees is not stated in thousands.

In view of the potential economic significance of these benefits, CPS has reviewed the present value of the postemployment benefit obligations for current retirees. The January 1, 1998 valuations are $42,700 for health and $14,600 for life insurance benefits. The actuarial analysis of the present value of postemployment benefit obligations for other participants fully eligible for benefits are estimated to be $25,300 for health, $4,400 for life insurance, and $2,000 for disability benefits. CPS began partial accrual and funding of projected future benefits in 1992. Funding totaled $5,200 in 1999, $5,400 in 1998, $5,000 in 1997, $7,000 in 1996, and $5,000 per year in 1995, 1994, and 1993. For the health care plan, the actuarial cost method used is the Projected Unit Credit Actuarial Cost Method. For the life insurance and disability plans, CPS uses a present value method to determine the cost of benefits.

Significant actuarial assumptions used in the calculations for the January 1, 1998 actuarial valuations include (a) a rate of return on the investment of present and future assets of 8.5 % per year for the health and life plans and 7 % per year for the disability, (b) projected salary increases for the plans ranging from 3.3 % to 12.0 % depending on age for base and other salaries, and (c) medical cost increases projected at 7 % for 1999 compared to 8 % for 1998.

C. San Antonio Water System (SAWS)

SAWS provides certain health care and life insurance benefits for retired employees. Substantially all full-time employees who retire from SAWS may become eligible for those benefits. On May 31, 1999, there were 272 retirees with life insurance and 296 retirees with medical coverage. Please note the numbers of retirees is not stated in thousands.

SAWS provides medical and life insurance for retirees and recognizes the cost of providing these benefits on a pay-as-you-go basis by expensing the annual insurance. For the year ending May 31, 1999, premiums for medical insurance and life insurance amounted to $1,234 and $33, respectively. Those and similar benefits for active employees are provided through insurance companies.

10. JOINT OPERATIONS

CPS South Texas Project (STP)

CPS is one of four participants in the STP, which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the project are Reliant Energy, formerly known as HL&P, Central Power and Light Company (CPL), and the City of Austin (Austin). In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. CPS' 28% ownership in the STP represents 700 megawatts of plant capacity. At January 31, 1999, CPS' investment in the STP utility plant was approximately $1,700,000, net of accumulated depreciation.

10. JOINT OPERATIONS (Continued)

CPS South Texas Project (STP) (Continued)

Effective November 17, 1997 the Participation Agreement among the owners of STP was Amended and Restated and the STP Nuclear Operating Company, a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STP Nuclear Operating Company.

11. COMMITMENTS AND CONTINGENCIES

A. City of San Antonio

Grants

The City has received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a materially adverse effect on the City's financial position at September 30, 1999. Grants awarded by federal, state and other governmental agencies but not yet earned nor received in cash as of September 30, 1999 were $126,175.

Revenue from City Public Service

The Trust Indenture of City Public Service provides for payments to the City up to 14% of CPS' gross revenues, as defined, to be paid or provided to the City. For the year ended September 30, 1999, the City recorded as revenue from CPS $145,171 in the General Fund.

Capital Improvement Program

The City will be undertaking various capital improvements to its airport system during fiscal year 2000. The estimated cost of these improvements is $19,227. Approximately $3,330 of the total will be funded by federal grants.

Revenue from San Antonio Water System

City ordinance No. 75686 provides for payments to the City up to 2.7% of SAWS' gross revenues, as defined, to be paid or provided to the City. For the year ended September 30, 1999, the City recorded as revenue from SAWS $4,785 in the General Fund and $14,245 in the Stormwater Fund.

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

Litigation

The City is involved in various lawsuits related to alleged personal and property damages, wrongful death, breach of contract, various claims from contractors for additional amounts under construction contracts, property tax assessments, environmental matters, class action and promotional practices, and discrimination cases. The Office of the City Attorney estimates the probable liability for these suits will approximate $18,500. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund. The City makes significant estimates in determining the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded in the Self-Insurance Funds are adequate to cover losses for which the City may be liable. It is not determinable whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the general purpose financial statements.

Sierra Club v. City of San Antonio, et al.
In June 1996, the Sierra Club filed a lawsuit against thirteen large users of water from the Edwards Aquifer, which included the City of San Antonio. Sierra Club sought temporary and permanent injunctive relief to limit the amounts of water withdrawn from the Edwards Aquifer in order to protect endangered species. In addition, Sierra Club sought injunctive relief against federal agencies to require the agencies to consult with the Fish & Wildlife Service before conducting any further activities in the Edwards Aquifer region.

In August 1996, the District Court granted Sierra Club's request for temporary injunction. The City appealed the District Court's decision arguing that the District Court should abstain from acting and allow the legislatively created Edwards Aquifer Authority to manage groundwater usage. The Fifth Circuit reversed the District Court's decision and remanded the case for further proceedings. Sierra Club filed a Writ of Certiorari to the United States Supreme Court, which was denied in January, 1998.

Although the decision of the Fifth Circuit does not dispose of the entire claim of the Sierra Club, it does control further action in this case and creates a substantial obstacle to the Sierra Club's request for permanent injunctive relief.

San Antonio River Walk cases
The City has filed five lawsuits against adjoining property owners and/or business operators to recover rents and to settle ownership of portions of the San Antonio River Walk. Four of the adjoining landowners have previously executed leases, acknowledging City ownership of the property. However, in the early 1990's, these property owners disputed the City's ownership, ceased making rental payments, and did not renew their leases.

The City continues to contest these cases and anticipates a trial setting in the Fall of 2000. Although there are some uncertainties in fact and law, the City believes a favorable outcome is reasonably probable. Back-rentals are estimated at $700. In the event of an unfavorable result, however, the City may suffer a loss of the back rentals in the same range, plus attorney's fees, and may also be required to refund certain rentals of other business owners.

Arbitrage

The City has issued certain tax-exempt obligations that are subject to Internal Revenue Service (IRS) arbitrage regulations. Non-compliance with these regulations, which pertain to the utilization and investment of proceeds, can result in penalties including the loss of the tax-exempt status of the applicable obligations retroactive to the date of original issuance. In addition, the IRS requires that interest income earned on proceeds in excess of the arbitrage rate on applicable obligations be rebated to the federal government. The City monitors its bond proceeds in relation to arbitrage regulations, and "arbitrage rebate" is estimated and recorded in the respective City funds.

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

Arbitrage (Continued)

Such bond issues which are subject to arbitrage regulations may be selected for compliance review and audits by the IRS. The IRS has initiated an "expanded compliance program" for tax-exempt bonds. As part of this program, the IRS has selected the $615,527 Water System Revenue Refunding Bonds 1992 bond issue for examination. The examination is intended to verify that the specified bonds meet the requirements established in the Internal Revenue Code for tax-exempt bonds.

In a letter dated November 16, 1999, the IRS informed the City that it had "suspended work" on the examination of the 1992 Bond Issue.

The possibility for any future audits or reviews is not determinable.

Department of Transportation Audit Resolution

During fiscal years 1995 and 1996, a proposed resolution of audit findings resulting from an Office of the Inspector General, Department of Transportation report dated April 26, 1993 which disallowed $2,040 of Aviation Fund expenses, was submitted to the Federal Aviation Administration (FAA). Resolution provided that disallowed indirect cost and ground transportation charges for fiscal years 1991 through 1994 in the total amount of $2,040 were to be repaid by applying "indirect cost credits" over the next three fiscal years to the disallowed amounts. The FAA agreed to allow the City to develop a new indirect cost plan, in accordance with applicable rules and regulations, and apply the difference between the new indirect cost rate and the old rate as "indirect cost credits" against the disallowed amount.

Accordingly, in August 1996, the City engaged a consultant to develop a City-wide cost allocation plan for the fiscal year ended September 30, 1995. The fiscal year 1995 cost allocation plan was completed and forwarded to the City's respective federal cognizant agency for review and approval. The cognizant agency declined review of the cost allocation plan and in July 1996, at the request of the FAA, a copy of the plan was forwarded to the FAA. In August 1998, the FAA requested additional information regarding certain costs included in the plan and the information was forwarded to the FAA in October 1998.

Upon review of the City-wide cost allocation plan and the additional information submitted by the City, the FAA accepted the allocation methodology for fiscal year 1995 and approved the methodology for use in restating indirect costs for fiscal years 1993 and 1994. This resulted in a cumulative indirect cost credit in the amount of $366 for fiscal years 1993, 1994 and 1995 and resulted in a remaining amount of $1,674 in disallowed Aviation Fund expenses. Additionally, the City has agreed to resolve the remaining disallowed Aviation Fund expenditures of $1,674 by September 30, 2001. This will be achieved through a combination of approved indirect cost credits for fiscal years 1996 through 1999, credits for previously unreimbursed in-kind services provided to the Airport System during the past six years, and a cash payment for any amount remaining after the application of indirect cost credits and credits for in-kind services.

Landfill Postclosure Care Costs

In October 1993, the City Council approved closure of the Nelson Gardens Landfill which effective immediately stopped accepting solid waste. Subsequent to landfill closure, Federal and State laws required the City to incur certain postclosure care costs over a period of thirty years. As of September 30, 1994, the City estimated these costs for postclosure of the Nelson Gardens Landfill at $3,800. The estimate was based on estimated costs for installation

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

Landfill Postclosure Care Costs (Continued)

of a leachate and groundwater collection system, installation of a methane recovery system, and monitoring and maintaining the facility for a thirty year period. In accordance with GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", the estimated postclosure cost of $3,800 for the Nelson Gardens Landfill was recorded as a liability and expensed in the Solid Waste Enterprise Fund in fiscal year 1994.

The fiscal year 1996 annual re-evaluation of the estimated liability for postclosure care costs for the Nelson Gardens Landfill resulted in a reduction in the amount of $1,975. This reduction was due to the approval during fiscal year 1996 of an amended and restated landfill gas lease and operating agreement which authorized a private company to install and operate a methane recovery system at the Nelson Gardens Landfill. The estimated cost for the installation of the methane recovery system had been included in the City's initial estimated postclosure cost liability recorded in fiscal year 1994. Therefore, as these installation costs for a methane recovery system would no longer be incurred by the City, the postclosure care liability was reduced by $1,975 in fiscal year 1996.

The annual re-evaluation conducted for the fiscal year ended September 30, 1999 resulted in no change to the estimated postclosure care liability for the Nelson Gardens Landfill. As such, the remaining postclosure care liability reported in the Solid Waste Enterprise Fund was $1,194 as of September 30, 1999. This liability is funded by the City on an annual basis with appropriations through the City's budget process.

TNRCC Financial Assurance

The City is required under the provision of the Texas Administrative Code to provide financial assurance to the Texas Natural Resource Conservation Commission (TNRCC) related to the closure of municipal solid waste operations including, but not limited to, storage, collection, handling, transportation, processing, and disposal of municipal solid waste. As such, financial assurance is required to ensure that funds are available, when needed, to meet costs associated with the closure of the City's North East Transfer Station. Additionally, financial assurance is required to demonstrate financial responsibility for underground storage petroleum facilities. As of September 30, 1999, the City does not anticipate closure of the transfer station and has estimated closure costs at $109. Based on the number of underground petroleum storage tanks, the City is required to provide $1,000 of financial assurance related to the underground storage facilities.

Alamodome Soil Remediation

The City has taken an aggressive approach to dealing with environmental issues resulting from the construction of the Alamodome, a multi-purpose domed facility. It is working in conjunction with the Texas Natural Resources Conservation Commission (TNRCC) on the continued development and implementation of a remediation plan which addresses both on and off-site locations which may contain contaminated soil. As of September 30, 1999, the City has expended approximately $12,283 related to Alamodome soil remediation efforts, inclusive of the supplemental environmental projects, and estimates the remaining cost for soil remediation to be approximately $1,600.

In January 1996, TNRCC issued its Executive Director's Preliminary Report assessing a penalty against the City and VIA Metropolitan Transit (VIA) along with certain technical recommendations for alleged violations in the handling of contaminated soils at the Alamodome site.

11. COMMITMENTS AND CONTINGENCIES (Continued)

A. City of San Antonio (Continued)

The City to date has completed the Supplemental Environmental Projects as identified in the Agreed Order and have received acceptance by the TNRCC on this portion of the Order. Additionally, eight of the ten sites which require remedial activity under the Agreed Order have been completed and have received closure letters from the TNRCC. The remaining two sites are in the process of civil and environmental engineering design for development and implementation to achieve remediation and closure by the TNRCC.

B. CPS

Nuclear Insurance

The Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities, is in effect until August 1, 2002. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants is $9,602,000 per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $83,900 (amount may be adjusted for inflation) for each licensed reactor, payable at $10,000 per year per reactor for each nuclear incident. CPS and each of the other participants of STP are subject to such assessments, and all participants have agreed that any such assessments will be borne on the basis of their respective ownership interests in STP. CPS' ownership interest in STP is 28%. For purposes of these assessments, STP has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the NRC, in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of $400,000 for the nuclear industry as a whole, provides protection from nuclear-related claims of workers employed in the nuclear industry after January 1, 1988, who do not use the workers' compensation system as sole remedy and bring suit against another party.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of $1,060,000. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP currently maintain $2,750,000 of nuclear property insurance, which is above the legally required amount of $1,060,000, but is less that the total amount available for such losses. The $2,750,000 of nuclear property insurance is composed of $500,000 for primary property damage insurance and $2,250,000 of excess property damage insurance, both subject to a retrospective assessment being paid by each electric utility which is a member of Nuclear Electric Insurance Limited (NEIL). In the event that property losses as a result of an accident at the nuclear plant of any utility insured by NEIL exceed the accumulated funds available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is $16,500 during any one policy year.

11. COMMITMENTS AND CONTINGENCIES (Continued)

B. CPS (Continued)

In July 1990, CPS, together with the other owners of the STP, filed with the NRC a certificate of financial assurance for the decommissioning of the nuclear power plant. The certificate assures that CPS will meet the minimum decommissioning funding requirements mandated by the NRC. The STP owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically. In 1994, the owners conducted a review of decommissioning costs. The results estimated CPS' share of decommissioning costs at approximately $270,000 in 1994 dollars, which also exceeded NRC minimum requirements.

In 1991, CPS started accumulating the decommissioning funds in an external trust, in accordance with the NRC's regulations. Effective with the fiscal year ending January 31, 1999, the Decommissioning Trust Assets and related liabilities are included CPS' financial statements as a component unit. The assets and liabilities of the prior period have been restated accordingly. At January 31, 1999, CPS has accumulated approximately $89,500 in decommissioning funds in the external trust. Based on the annual calculation of financial assurance required by the NRC, CPS' trust balance exceeded the calculated financial assurance amount of $45,800 at December 31, 1998. Based upon the 1994 decommissioning cost study, the annual levelized funding into the trust of $8,800 for 1999 was expensed by CPS.

<u>Other</u>

Purchase and construction commitments amounted to approximately $1,300,000 at January 31, 1999. This amount includes approximately $660,000 that is expected to be paid for natural gas purchases to be made under the contract currently in effect through the year 2002; the actual amount to be paid will be dependent upon CPS' actual requirements during the contract period and the price of gas. Commitments also include $75,000 for pipeline quality gas to be produced from the City of San Antonio "Nelson Gardens" landfill under the contract which is currently in effect through the year 2017. Also included is $19,000 for coal purchases through 2000, $150,000 for coal transportation through 2004, and $10,000 for treated cooling water through 2005, based upon the minimum firm commitment under these contracts. Additional purchase commitments at January 31, 1999 which are related to STP include approximately $79,100 for raw uranium and associated fabrication and conversion services. This amount represents services that will be needed for future refuelings during the next two fiscal years.

The Public Utility Commission (PUC) of Texas has promulgated new rules designed to comply with legislative changes affecting the utility industry. The Transmission Pricing and Access Rule (Rule) mandates that electric utilities charge customers for wholesale open transmission access according to a formula based 70 percent on a single state-wide fee and 30 percent on the calculated economic impact of open access on each electric utility in Texas. This rate structure potentially will cost CPS $15,000 per year in additional transmission costs that will effectively subsidize competing utilities with higher transmission costs. The PUC's Rule includes a rate-moderation plan that will minimize the impact of the new pricing mechanism for the first three years that the Rule is in effect. Under this plan, CPS' costs for calendar year 1998 would be 20 percent of the total cost mentioned above; costs for 1999 would be 30 percent of the above cost, respectively. The total amount of $2,100 recorded in the 1999 financial statements includes an estimated amount for January 1999. CPS has petitioned the PUC to amend the Rule and has challenged the Rule's validity in State District Court. CPS has also filed an appeal from the PUC's determination as to the level of transmission costs CPS may recover under the PUC's Rule. CPS is currently appealing the State District Court's opinion upholding the Rule's validity. The case challenging the level of transmission cost that may be recovered is set for hearing before a State District Judge in May 1999.

The ultimate effect of the Rule and other developments in the restructuring of the electric industry is unknown at this time. CPS is continuously monitoring developments as it positions itself to maximize potential benefits and mitigate detrimental effects where possible.

11. COMMITMENTS AND CONTINGENCIES (Continued)

B. CPS (Continued)

<u>Litigation</u>

Additionally, in the normal course of business, CPS is involved in other legal proceedings related to alleged personal and property damages, breach of contract, condemnation appeals and discrimination cases. Also, CPS power generation activities and other utility operations are subject to extensive state and federal environmental regulation. In the opinion of management of CPS, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS.

CPS is exposed to various risks of loss including those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS purchases commercial liability and property insurance coverages to provide protection in event of large/catastrophic claims. CPS performs actuarial studies periodically to determine its liability for insurance reserves. An actuarial study was last performed in 1994. In addition, CPS is exposed to risks of loss due to death, injuries to, and illness of its employees. CPS makes payments to external trusts to cover the claims under the related plans. At January 31, 1999, CPS has accumulated approximately $111,400 of funds in these external trusts. The trust accounts and related claims liabilities are not included in CPS' financial statements. CPS has recorded $12,000 of expense related to these plans for the year ended January 31, 1999.

C. SAWS

<u>Other</u>

SAWS is committed under various contracts for completion of construction or acquisition of utility plants totaling approximately $149,700 as of May 31, 1999. Funding of this amount will come from available revenues of SAWS, contributions from developers, and restricted assets.

<u>Litigation</u>

SAWS is the subject of various claims and litigation which have arisen in the ordinary course of its operations. Management of SAWS, in consultation with legal counsel, is of the opinion that SAWS' liabilities in these cases, if decided adversely to SAWS, will not be material.

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12. SEGMENT INFORMATION

The City has four enterprise operations which include the Airport System, Parking Facilities, Golf Course System, and Solid Waste System. Segment information for these operations and the City's significant discretely presented component units, CPS and SAWS, for the year ended September 30, 1999 is as follows:

Segment Information

	Airport System	Parking Facilities	Golf Course System	Solid Waste System	Total Primary Government	Gas and Electric System (CPS)[1]	San Antonio Water System (SAWS)[2]
Operating Revenues	$ 35,757	$ 7,527	$ 6,458	$ 39,120	$ 88,862	$ 1,023,876	$ 180,041
Operating Expenses exclusive of Depreciation	20,183	5,071	5,778	38,412	69,444	644,637	100,430
Depreciation	7,123	602	602	250	8,577	167,686	44,557
Operating Income	8,451	1,854	78	458	10,841	211,553	35,054
Other Revenue (Expenses)	(4,421)	(708)	(264)	746	(4,647)	(148,746)	(30,319)
Operating Transfers In (Out)	(1,252)	(195)	(295)	(1,942)	(3,684)		
Net Income (Loss)	$ 2,778	$ 951	$ (481)	$ (738)	$ 2,510	$ 62,807	$ 4,735
Total Assets	$ 291,474	$ 24,322	$ 11,018	$ 19,513	$ 346,327	$ 4,920,277	$ 1,535,691
Total Equity	$ 165,795	$ 6,833	$ 5,010	$ 12,898	$ 190,536	$ 1,961,174	$ 862,273
Working Capital	$ 5,506	$ 2,637	$ (284)	$ 8,771	$ 16,630	$ 175,739	$ 23,459
Additions to Fixed Assets	$ 18,116	$ 130	$ 49	$ 648	$ 18,943	$ 284,370	$ 118,190
Net Capital Contributions	$ 79,344	$ 190	$ 5,526	$ 3,699	$ 88,759	$	$ 571,830
Outstanding Revenue Bonds	$ 113,172	$	$	$	$ 113,172	$ 2,562,592	$ 490,458
Outstanding Bonds and Certificates of Obligation	$	$ 16,985	$ 4,528	$	$ 21,513	$	$

[1]For the Fiscal Year Ended January 31, 1999
[2]For the Fiscal Year Ended May 31, 1999

(amounts are expressed in thousands)

13. INSURANCE

A. City of San Antonio

Property and Casualty Liability

At September 30, 1999, the City has excess insurance coverage through Fireman's Fund Insurance Company of Ohio for liability. The blanket policy provides general and auto liability along with police professional errors and omissions and EMS Medical Malpractice, and Civil Rights and Employee Benefits Liability Coverage. Royal Lloyds of Texas provides property coverage on the City's building and contents inventory. The City utilizes third party administrators for the handling of administration, investigation, and adjustment of liability claims.

Obligations for claims under these programs are accrued in the City's Self-Insurance Reserve Fund based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported, and Departments are assessed premiums to cover expenditures. In fiscal year 1999, there were no significant reductions in insurance coverage and claims settlements did not exceed insurance coverage. Claims settlements exceeded insurance coverage by approximately $1,900 in fiscal year 1998, $1,700 in fiscal year 1997, and no claims settlements exceeded insurance coverage in fiscal year 1996.

Employee Health Benefits

The City provides its current employees with a comprehensive employee benefit program including coverage for medical, dental and life insurance, vision, dependent care reimbursement accounts and additional life insurance for its employees and their dependents. The City's self-insured medical programs are provided to all City employees. Obligations for benefits are accrued in the City's Self-Insurance Employee Benefits Insurance Fund based upon the City's estimates of the aggregate liability for unpaid benefits.

Workers' Compensation

The City self-insures for Workers' Compensation. The City is a member of the Texas Municipal League (TML) Workers' Compensation Joint Insurance Fund, an unincorporated association of political subdivisions of the State of Texas. The TML Workers' Compensation Joint Insurance Fund is not intended to operate as an insurance company, but rather is intended to be a contracting mechanism which the City as a member utilizes to administer self-insurance workers' compensation benefits to its employees for claims that occurred prior to September 30, 1986. The City also utilizes third party administrators for the handling of administration, investigation, and adjustment of workers' compensation claims that occurred after October 1, 1986. All loss contingencies, including claims incurred but not reported, if any, are recorded in the City's Self-Insurance Workers' Compensation Fund and Departments are assessed premiums to cover expenditures. As of September 30, 1999, the City has excess workers' compensation coverage through the General Reinsurance Corporation.

Unemployment Compensation Program

The Unemployment Compensation Program of the Self-Insurance Fund provides a central account for payment of unemployment compensation claims. As of the fiscal year end, claims were being administered internally by the City and are paid to the Texas Workforce Commission on a reimbursement basis. All costs incurred are recorded on a claims paid basis.

(amounts are expressed in thousands)

13. INSURANCE (Continued)

A. City of San Antonio (Continued)

Extended Sick Leave Program

The Extended Sick Leave Program of the Self-Insurance Fund is used to pay benefits associated with the City's employee long-term disability plan. Benefits are administered by the City. Actual costs are incurred when extended leave is taken.

Employee Wellness Program

The Self-Insurance Employee Wellness Program Fund is used to account for revenues and operating expenses of the City Occupational Health Clinic operated by the San Antonio Metropolitan Health District. The clinic's operation is supported by transfers from the Workers' Compensation Fund and the Employee Health Benefits Fund as expenses are incurred. In fiscal year 1999, the Employee Assistance Program was established to offer City employees short term mental health, marital, and financial counseling, as well as substance abuse intake and assessment. The Program was funded by a transfer from the Workers' Compensation Fund.

Claims Liability

The liability for the Employee Benefits Fund is based on the estimated aggregate amount outstanding at the balance sheet date for unpaid benefits. Liabilities for the Insurance Reserve and Workers' Compensation Funds are reported when it is probable that a loss has occurred as of the balance sheet date and the amount of the loss can be reasonably estimated. These liabilities include allocable loss adjustment expenses, specific incremental claim adjustment expenses such as the cost of outside legal counsel, and a provision for claims which have been incurred but not reported (IBNR). Unallocated claim adjustment expenses have not been included in the calculation of the outstanding claims liability as management of the City feels it would not be practical or cost beneficial. In addition, based on the difficulty in determining a basis for estimating potential recoveries and the immateriality of prior amounts, no provision for subrogation or salvage has been included in the calculation of the claims liability. The claims liability reported in the accompanying financial statements for the Insurance Reserve and Workers' Compensation Funds is based on a discounted rate of 5.5% in anticipation of future investment earnings.

The following is a summary of changes in claims liability for the City's Insurance Reserve, Employee Benefits, and Workers' Compensation Programs for the year ended September 30, 1999:

Schedule of Changes In Claims Liability

Fund	Liability Balance October 1,	Claims & Adjustments	Claims Payments	Liability Balance September 30,
Insurance Reserve				
Fiscal Year 1998	$ 16,531	$ 4,569	$ (4,569)	$ 16,531
Fiscal Year 1999	16,531	8,416	(6,416)	18,531
Employee Benefits				
Fiscal Year 1998	$ 3,415	$ 21,777	$ (21,777)	$ 3,415
Fiscal Year 1999	3,415	23,968	(23,968)	3,415
Workers' Compensation				
Fiscal Year 1998	$ 14,532	$ 6,685	$ (6,685)	$ 14,532
Fiscal Year 1999	14,532	7,245	(7,245)	14,532

(amounts are expressed in thousands)

13. INSURANCE (Continued)

B. CPS

CPS is exposed to various risks of loss including those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS purchases commercial liability and property insurance coverages to provide protection in event of large/catastrophic claims. CPS performs actuarial studies periodically to determine its liability for insurance reserves. An actuarial study was last performed in 1994.

In addition, CPS is exposed to risks of loss due to death, and injuries to, or illness of, its employees. CPS makes payments to external trusts to cover the claims under the related plans. At January 31, 1999 and 1998, CPS has accumulated approximately $111,400 and $93,400, respectively, in these external trusts. The trust accounts and related claims liabilities are not included in CPS' financial statements. CPS has recorded $12,000 of expense related to these plans for the year ended January 31, 1999 and $13,500 for the year ended January 31, 1998.

Two new property insurance allowances were established in January 1999 related to landfill closure and to the dismantling and remediation of two older gas powered units. Closure and postclosure costs were estimated for the Class I non-hazardous waste landfill in accordance with EPA regulations.

The allowance for the dismantling and remediation of the two units was established to provide for estimated costs of $5,200 for these two units which are no longer operable and will never again be used to generate electricity. Additional depreciation expense of $5,200 was recorded for this. Based upon the guidance of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the following information is provided regarding the changes in the insurance reserves for property, and employee and public liability claims for the years ended January 31, 1999 and 1998:

Schedule of Changes In Claims Liability

Fund	Liability Balance February 1,	Claims & Adjustments	Claims Payments	Liability Balance January 31,
Property Insurance				
Fiscal Year 1998	$ 4,480	$ 304	$ (104)	$ 4,680
Fiscal Year 1999	4,680	5,612	(40)	10,252
Employee & Public Liability Claims				
Fiscal Year 1998	$ 2,756	$ 4,228	$ (3,615)	$ 3,369
Fiscal Year 1999	3,369	2,193	(2,022)	3,540

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(amounts are expressed in thousands)

13. INSURANCE (Continued)

C. SAWS

Risk Management

SAWS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

SAWS is self administered and self-insured for the first $300 of each worker's compensation and $250 for general liability, automobile liability and public official's liability claim whereby any claim which cost exceeded the self insured retention limit would be covered through SAWS' comprehensive insurance program. For the fiscal year ended May 31, 1999, there were no reductions in insurance coverage from the previous year. There were no claims which exceeded the self-insured retention limit for the fiscal year ended May 31, 1999. Settled claims have not exceeded the insurance coverage in any of the three prior fiscal years.

SAWS' had recorded a liability in the amount of $3,652 as of May 31, 1999, which is reported as a current liability. The claims liability, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. The claims liability includes medical and rehabilitation costs, which are considered incremental adjustment expenses. Changes in the liability amount for the last two fiscal years were:

Schedules of Changes In Claims Liability

Year Ended May 31,	Balance at Beginning of Fiscal Year Liability	Claims & Adjustments	Claims Payments	Balance at End of Fiscal Year Liability
1998	$ 5,664	$ (500)	$ (1,306)	$ 3,858
1999	3,858	1,436	(1,642)	3,652

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(amounts are expressed in thousands)

14. DEFICITS IN FUND BALANCES / RETAINED EARNINGS

Special Revenue Funds

A deficit fund balance at year end is reported in the Community Development Program (Special Revenue Fund) in the amount of $234. The deficit is attributable to a project for which reprogramming of Community Development Block Grant funds will occur subsequent to ye ır end. Upon reprogramming of funds, the deficit fund balance will be fully funded.

Following is a reconciliation of the deficit fund balance disclosed above to total Special Revenue Fund Equity reported in the Combined Balance Sheet as of September 30, 1999:

Budgeted on an annual basis - Fund Balances		$ 59,682
Budgeted on a project basis - Fund Balances		
Categorical Grant-in Aid	$ 3,085	
HUD 108 Loan Program	1,011	
Community Development Program	(234)	
Total budgeted on a project basis - Fund Balances		3,862
Blended Component Units		24
Total Special Revenue Fund Equity		$ 63,568

Enterprise Funds

As of September 30, 1999 a deficit retained earnings is reported in the Golf Course System Fund in the amount of $515. This deficit is attributable to a general decline in revenues over the past several years due to increased competition by the private sector and extreme weather patterns. In addition, increased labor and equipment costs have contributed to this deficit. The City's Organizational Review Division within the Budget and Employee Services Department has conducted a performance review of the Parks and Recreation Department's Golf Operations Division to address these issues. The results of this review were presented to Council in May 1999 along with recommendations which would increase revenues and improve the quality of the municipal courses. These recommendations included fee increases, debt restructuring, and capital improvements to the fairways, clubhouse, and restroom facilities. Included in these capital improvements is a reservation system accessible twenty-four hours a day and upgrades to the computer systems. In addition, six golf professionals were added to the City golf staff in order to improve operations at each course.

Following is a reconciliation of the deficit retained earnings disclosed above to total Enterprise Fund Equity reported in the Combined Balance Sheet as of September 30, 1999:

Airport System - Retained Earnings	$ 86,451	
Parking Facilities - Retained Earnings	6,642	
Golf Course System Retained Earnings	(515)	
Solid Waste System - Retained Earnings	9,199	
Total Enterprise Fund - Retained Earnings		$ 101,777
Enterprise Fund - Contributed Capital		88,759
Total Enterprise Fund Equity		$ 190,536

(amounts are expressed in thousands)

14. DEFICITS IN FUND BALANCES / RETAINED EARNINGS (Continued)

Internal Service Funds

A deficit retained earnings at year end is reported in the Information Services Fund (Internal Service) in the amount of $4,500. This deficit is attributable to depreciating contributed equipment, while not depreciating or amortizing the offsetting Contributed Capital in the reserve for equipment renewal and replacement component of retained earnings.

Following is a reconciliation of the deficit retained earnings disclosed above to total Internal Service Fund Equity reported in the Combined Balance Sheet as of September 30, 1999:

Other Internal Services - Retained Earnings		$ 25,987
Information Services		(4,500)
Self Insurance Programs - Retained Earnings		
Insurance Reserve Fund	$ 4,504	
Employee Benefits Fund	3,927	
Worker's Compensation Program	7,785	
Other Self-Insurance Programs	187	
Total Self-Insurance Program - Retained Earnings		16,403
Internal Service Fund - Contributed Capital		37,126
Total Internal Service Fund Equity		$ 75,016

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(amounts are expressed in thousands)

15. CONTRIBUTED CAPITAL

Activity for the year ended September 30, 1999, related to contributed capital is as follows:

Proprietary Fund Type Contributed Capital

	Airport System	Parking Facilities	Golf Course System	Solid Waste System	Total Primary Government Enterprise Funds	Internal Service	Total Primary Government	Gas and Electric System (CPS)[1]	San Antonio Water System (SAWS)[2]
Contributed Capital, October 1	$ 74,541	$ 190	$ 5,526	$ 3,699	$ 83,956	$ 36,925	$ 120,881	$ 0	$ 545,893
Additions -									
Local Government						201	201		
Federal	6,445				6,445		6,445		
Customers									25,937
Intergovernmental									
Deductions -									
Amortization of Federally Contributed Fixed Assets	(1,642)				(1,642)		(1,642)		
Contributed Capital, September 30	$ 79,344	$ 190	$ 5,526	$ 3,699	$ 88,759	$ 37,126	$ 125,885	$ 0	$ 571,830

[1]For the fiscal year ended January 31, 1999
[2]For the fiscal year ended May 31, 1999

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(amounts are expressed in thousands)

16. EQUITY TRANSFER

Fire and Police Retiree Health Care Fund

The City of San Antonio Firefighters' and Police Officers' Retiree Prefunded Group Health Plan was created in October 1989 in accordance with the provisions of the City's contracts with the local fire and police unions, respectively, to provide postemployment healthcare benefits to uniformed employees who retired on or after October 1, 1989. The City administered the operations and managed the investment portfolio for the Plan. Activity for the Plan was accounted for and reported in the Self-Insurance Internal Service Fund.

Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the Fire and Police Retiree Health Care Fund ("Health Fund"), was created to provide the postemployment healthcare benefits for eligible uniformed employees of the City. The management of the investment portfolio as well as certain other administrative functions were transferred to the Health Fund's newly created Board of Trustees. The City continues to administer the operations of the Health Fund in accordance with the Board's direction and the City's respective collective bargaining agreements with the local fire and police unions.

Consequently, in fiscal year 1998, the City transferred equity in the amount of $34,951 from its Self-Insurance Internal Service Fund to the Health Fund. The transfer is reported as a "Residual Equity Transfer Out" of the Self-Insurance Internal Service Fund and a "Residual Equity Transfer In" to the Health Fund, which is a blended component unit of the City under the provisions of GASB Statement No. 14.

17. SUBSEQUENT EVENTS

A. City of San Antonio

Fire and Police Collective Bargaining Agreements

The City's collective bargaining agreement with the San Antonio Police Officer's Association ("SAPOA") approved on May 31, 1995 had a term of October 1, 1994 to September 30, 1998. The collective bargaining agreement with the International Association of Fire Fighters Local 624 ("Local 624") approved on November 2, 1995 had a term of January 1, 1995 to September 30, 1998. Both collective bargaining agreements contained an evergreen clause through September 30, 2008.

Efforts to negotiate new four year agreements with the SAPOA and the Local 624 began in May, 1998. During fiscal year 1999, negotiations resumed and resulted in the execution of collective bargaining agreements with both SAPOA and Local 624. On September 30, 1999, City Council approved a collective bargaining agreement with Local 624 for a term commencing on September 30, 1999 and terminating on September 30, 2001, with an evergreen clause through September 30, 2011. The projected fiscal impact of the three-year Agreement is $15,719. Additionally, on November 23, 1999, City Council approved a collective bargaining agreement with SAPOA for a term commencing on November 23, 1999 and terminating on September 30, 2002 with an evergreen clause through September 30, 2012. The projected fiscal impact of the four-year Agreement is $43,223.

Sale of Certificates of Obligation and General Obligation Debt

On October 26, 1999, Fitch IBCA upgraded its rating on the City of San Antonio's General Obligation bonds and Certificates of Obligations to AA+ from AA. Also, Fitch IBCA assigned its AA+ rating to the City's $12,000 General Obligation Improvement Bonds, Series 1999 and $4,230 Combination Tax and Revenue Certificates of Obligation, Series 1999. The rating reflects the continued growth and diversification of the City's economy, high employment levels, as well as the increases in tax base valuations and sales tax receipts, consistently solid financial management and operating results, and a manageable debt burden. Further support of the City's solid financial position is evident by the rating increase from AA to AA+ issued by Standard & Poors in fiscal year 1998.

17. SUBSEQUENT EVENTS (Continued)

A. City of San Antonio (Continued)

Sale of Certificates of Obligation and General Obligation Debt (Continued)

A favorable market environment provided the City with the opportunity to take advantage of low interest rates and issue new money obligations to finance the City's on-going capital improvement program. On October 28, 1999, the City Council approved the sale of the following obligations: $12,000 City of San Antonio, Texas General Improvement Bonds, Series 1999 and $4,230 City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 1999. The citizens of the City of San Antonio approved the authorization for the issuance of the bonds in the May 1, 1999 bond election. Delivery of the proceeds from the Series 1999 obligations occurred on November 23, 1999. The proceeds of the General Obligations will be utilized to finance the construction of general improvements to the City, to include streets and pedestrian ways, drainage, flood control with park improvements, parks and recreation facilities, library system and public safety. The proceeds of the Certificate of Obligations will be used for the purpose of providing funds for the payment of contractual obligations incurred to construct, acquire, equip, renovate, and repair public works and also to acquire land, right-of-ways, and professional services related to such public works.

Concurrently, with the sale of the 1999 Obligations, the City Council separately approved a General Improvement Commercial Paper Program which will permit the City to issue commercial paper notes in the aggregate principal amount not to exceed $50,000 at any time. The Commercial Paper Program will permit the City to sell Commercial paper from time to time in increments to finance various voter approved projects.

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City of San Antonio
Texas

Required Supplementary Information

(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
YEAR 2000 READINESS STATEMENT
CITY OF SAN ANTONIO, TEXAS

The City (the primary government) recognizes that the arrival of the year 2000 poses an unprecedented challenge to the ability of the City's systems, computers, programs, data files and embedded computer chips to recognize the date change from December 31, 1999 to January 1, 2000. The City's efforts towards Year 2000 compliance have been in progress for several years. The Information Services Department (ISD) established the Year 2000 Project in 1997 in order to minimize the impact of the Year 2000 on the City's business operations.

The Information Services Department which implements and maintains the City's enterprise system has developed a multi-track Year 2000 Plan to identify and remediate systems that cannot accommodate the new century designation. This plan encompasses critical city wide business functions which are supported by centralized computer applications running on the City's mainframe computer and are maintained by professional computer programmers. The City anticipates completing a majority of the required Year 2000 remediation and validation utilizing existing programming staff and departmental operating budgets. However, not all critical City data is stored or processed solely on the mainframe. Numerous files and programs essential to the operations of the City are maintained on distributed systems and personal computers within City departments. A Year 2000 Coordinator's Team was assembled to facilitate and monitor Year 2000 compliance regarding department services, systems, data files and programs (including embedded systems). The team consists of representatives from each City department and, in cooperation with ISD, is responsible for issues related to the Year 2000 that affects each of their respective departments. The Year 2000 project directly involves nearly one hundred City employees and falls into four major components as identified below.

A. Mainframe

An inventory and assessment of the centralized computer applications and operating system components running on the City's mainframe was completed in 1997. As part of the Year 2000 project all business functions that may be impacted by the Year 2000 and the technology supporting those functions were evaluated and prioritized with regard to Year 2000 remediation. As of September 30, 1999, the City's mainframe computer is 100% Year 2000 compliant and remediated to correctly process the year 2000 designation. In addition, a separate region has been established on the mainframe to simulate system operations on December 31, 1999 and later. Testing of applications in this region will continue into the new calendar year.

B. Distributed Systems

The City's distributed systems have been evaluated and tested with identified upgrades or replacements completed. In addition, a network based testing and remediation product has been applied to all City network personal computers.

C. Embedded Systems

An inventory and assessment of embedded systems was completed in 1998. Manufacturers have been contacted concerning Year 2000 compliance of embedded systems and letters of assurance have been solicited and are maintained on file. These include but are not limited to, fire alarms, environmental systems, traffic signal systems, security systems and network components. Testing of critical components with regard to embedded systems has been completed.

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
YEAR 2000 READINESS STATEMENT
CITY OF SAN ANTONIO, TEXAS

D. Commitments

As of September 30, 1999, no significant commitments existed with regard to the City's Year 2000 efforts. Funding for remediation, validation, and testing has been incorporated into the development of departmental operating budgets for fiscal year 2000 and previous years.

Testing and validation were performed and will continue to be performed for all systems. The Fire dispatching, Police dispatching, EMS dispatching and Geographical base system, (mission critical systems) were fully remediated, tested, and validated as of September 30, 1998. Testing of City contingency plans occurred on June 25, 1999, during a city wide Tabletop Y2K exercise involving more than 30 private and public agencies as well as all City departments. In addition, the results of an independent risk assessment of the City's Year 2000 project indicate that the City's efforts and processes have contributed towards greatly containing Y2K risks.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the City's related remediation efforts could not be fully determined until January 1, 2000. The City's remediation efforts and testing of its systems, computers, programs, and embedded computer chips proved successful upon the date change from December 31, 1999 to January 1, 2000. To date, no significant issues were encountered by the City with respect to Year 2000.

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
SCHEDULES OF FUNDING PROGRESS
LAST THREE FISCAL YEARS

FIRE AND POLICE PENSION PLAN--CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10-01-98	$ 903,555	$ 1,160,023	$ 256,468	78%	$ 155,389	165%
10-01-97	808,423	1,092,814	284,391	74%	150,447	189%
10-01-96	702,398	955,083	252,685	74%	138,069	183%

TEXAS MUNICIPAL RETIREMENT SYSTEM--CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	UNIT CREDIT ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL (1)	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-98	$ 343,424	$ 434,544	$ 91,120	79%	$ 140,375	65%
12-31-97	325,436	421,858	96,422	77%	132,188	73%
12-31-96	308,433	401,353	92,920	77%	133,102	70%

CITY PUBLIC SERVICE ALL EMPLOYEE PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	UNIT CREDIT ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-98	$ 507,600	$ 520,500	$ 12,900	98%	$ 129,100	10%
01-01-97	455,600	487,200	31,600	94%	123,800	26%
01-01-96	406,000	455,300	49,300	89%	125,200	39%

NOTES: (1) Abstracted from City payroll records.

(2) GASB Statement No. 27 requires the above trend information for a period of three years.

(amounts are expressed in thousands)

REQUIRED SUPPLEMENTARY INFORMATION - (UNAUDITED)
SCHEDULES OF FUNDING PROGRESS
LAST THREE FISCAL YEARS

SAN ANTONIO WATER SYSTEM - TMRS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	UNIT CREDIT ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-98	$ 37,467	$ 45,608	$ 8,141	82%	$ 48,672	17%
12-31-97	33,893	42,640	8,747	79%	45,630	19%
12-31-96	30,798	38,374	7,576	80%	42,663	18%

SAN ANTONIO WATER SYSTEM - PMLIC

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-99	$ 23,553	$ 45,391	$ 21,838	52%	$ 48,183	45%
01-01-98	22,237	37,123	14,886	60%	43,963	34%
01-01-97	18,645	31,224	12,579	60%	41,394	30%

NOTES: (1) GASB Statement No. 27 requires the above trend information for a period of three years.

(amounts are expressed in thousands)

APPENDIX D

The information contained in Appendix D consists of the Legal Opinion of McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas, and Wickliff & Hall, P.C., San Antonio, Texas, Co-Bond Counsel.

McCall, Parkhurst & Horton L.L.P.
1225 One Riverwalk Place
San Antonio, Texas 78205
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Facsimile: (210) 225-2984

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105 S. St. Mary's, Suite 700
San Antonio, Texas 78205
Telephone: (210) 225-4100
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May __, 2000

CITY OF SAN ANTONIO, TEXAS
PARKING SYSTEM REVENUE BONDS, SERIES 2000
DATED AS OF APRIL 1, 2000
IN THE AGGREGATE PRINCIPAL AMOUNT OF $24,845,000

AS CO-BOND COUNSEL FOR THE CITY OF SAN ANTONIO TEXAS (the "City") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from April 1, 2000 until maturity or prior redemption at the rates stated in the text of the Bonds, payable on August 15, 2000 and semiannually on each February 15 and August 15 thereafter, and maturing in serial installments on August 15 in each of the years 2004 through 2013, inclusive and 2018 through 2020, inclusive, with the Bonds maturing on and after August 15, 2010 being subject to optional redemption prior to maturity on February 15, 2010 and on any date thereafter, and with the Bonds maturing on August 15 in each of the years 2017 and 2024 being subject to mandatory sinking fund redemption, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, the Charter of the City, and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the ordinance authorizing the issuance of the Bonds (the "Ordinance"), (ii) one of the executed Bonds (Bond No. T-1), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally; that the City has the legal authority to issue the Bonds and to repay the Bonds; that this Bond is secured by, and payable from, a first lien on and pledge of the *"Gross Revenues"* of the City's *"Parking System"* and amounts on deposit in the *"Pledged Funds"* created for the benefit of the Bonds (as such terms are defined in the Bond Ordinance).

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the City with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the City to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code, (b) subject to the branch profits tax imposed on foreign corporations by section 884 of the Code, and (c) included in the passive investment income of an S corporation and subject to the tax imposed by section 1375 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

WE HAVE ACTED AS CO-BOND COUNSEL for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City, and have not assumed any responsibility with respect thereto. We have relied solely on certificates executed by officials of the City as to the amount of historical Gross Revenues of the City.

Respectfully,

APPENDIX E

Specimen of Municipal Bond Insurance Policy.

Ambac

Municipal Bond Insurance Policy

Ambac Assurance Corporation
c/o CT Corporation Systems
44 East Mifflin Street, Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, New York 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

Ambac Assurance Corporation (Ambac) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Ambac will make such payments to the Insurance Trustee within one (1) business day following notification to Ambac of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's right to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of Ambac or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to Ambac all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

P. Lassiter
President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Stephen D. Cooke
Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

W. William Weber
Authorized Officer